

Does Canada Own its Life Sciences Future?

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Executive Summary

Canada is recognized globally for its strengths in health and life sciences research. Over the past decade, companies catalyzed by this research, particularly in therapeutics, have delivered investment returns that outperform many other sectors. In fact, six of Canada's top ten venture-backed exits in the last decade are therapeutics companies. Despite this, the country struggles to convert its scientific excellence into a thriving life sciences industry. Key barriers include limited Canadian investment capital to support promising domestic firms as they scale, to, over time, yield a larger number of anchor companies, necessary for complete cluster formation. (1)

This paper analyzes capital flows into Canadian therapeutics firms to explore how investor types and capital origins influence the creation of domestic anchor firms and the development of a flourishing life sciences industry. Building on prior research from RBCx (2) and the Business Development Bank of Canada (BDC) (3), which found that life science companies attract just 7% of Canadian venture capital and have fewer domestic investors at every growth stage, this study reviews 2013–2024 Pitchbook financing data for Canadian founded therapeutic companies that continue to have a domestic headquarters or a significant R&D presence.

Firm-level financing transactions were categorized into Start-up (Pre-Series A), Early-Growth (Pre-Series B), and Late-Growth (Series B+) stages following the typical financing life cycle for therapeutics companies. Exit transactions and outcomes were also analyzed.

The data revealed strong sector growth: total deal value increased from \$122 million in 2013 to \$842 million in 2024, peaking at \$1.2 billion in 2021. Therapeutics companies account for 48% of Canadian life science companies and generated 78% of venture capital deal value underscoring their economic importance. Overall, venture capital (VC) provided the bulk of funding to Canadian therapeutics companies: 69% at start-up, 78% at early-growth, and 94% at late-stage.

However, the majority of capital provided to Canadian therapeutics companies is from foreign investors, mostly U.S.-based, and similarly, these same foreign investors capture the bulk of the returns. Across all sectors, Canadian deals involving only Canadian investors accounted for 61% of the market in 2024, but only 22% of dollars invested. (4) In the case of Canadian therapeutics companies, domestic investors made up just 45% of all investors, and domestic participation dropped from 42% at start-up to just 24% at late stage. Domestic involvement also shrinks as deal sizes grow, highlighting a structural gap in Canada's investor ecosystem.

Notably, there is a small group of Canadian VC funds with a strong life sciences specialization and these firms are primarily backed by Canadian investors. However, the domestic funds are too few and too small to

support scaling therapeutic companies throughout the entire funding life cycle. Indeed, comparing the total amount of life sciences VC capital in the US and Canada in relation to GDP over the last decade points to a notional funding shortfall of approximately \$1.5 billion per year. These domestic funding gaps are primarily filled by U.S. VC firms with larger, often pension-backed funds, who benefit from the earlier de-risking of opportunities by Canadian investors.

This situation is concerning as large equity stakes by foreign firms often result in greater foreign influence over company growth, as well as eventual returns and intellectual property flowing out of the country when companies exit. In the case of Canadian therapeutic companies, seven of the top 20 exits (over \$100 million) were \$1 billion+ acquisitions by international firms, accounting for 71% of total exit value. While mergers and acquisitions (M&A) have many benefits, the analysis shows that more than 75% of the investors receiving returns from the top 20 exits are international. The combination of significant international M&A and high prevalence of international investors highlights the leakage of economic value and missed opportunities to strengthen Canada's innovation ecosystem and drive economic growth.

In the current geopolitical context, the historical reliance on international capital also highlights vulnerability in accessing capital in the near future as it appears that that foreign capital is pulling back from the Canadian market.

Domestic institutional investors, particularly pension funds, are uniquely suited to address this gap. A strong body of academic research links pension fund investment, and its ability to provide patient, long-term capital, with gains in domestic innovation and productivity. Patient capital enables firms to weather downturns, invest in fixed assets, and build high-quality teams, all of which increase a firm's "stickiness" to its home region and reinforce local economic development. (5) (6) (7) (8) (9) (10) However, Canadian pension fund investment in domestic life science companies remains limited. Drawing on examples from the US, UK, European Union, France, Denmark, and Ireland, this paper highlights how targeted policies can align institutional investment strategies with national innovation and economic goals.

With its strong IP generation and robust returns, Canada's life sciences sector offers a compelling opportunity to drive domestic productivity and economic growth, especially in an era of global economic uncertainty. Convening Canada's institutional investors, starting with domestic pension funds, to co-create capital solutions that fill critical gaps in the Canadian venture capital ecosystem could help foster anchor companies and ensure that the benefits of Canadian life sciences innovation are realized at home.

Introduction: Canada’s Life Sciences Opportunity

Canada’s life sciences sector holds significant promise for improving health outcomes and driving economic growth. The country has a strong history of scientific excellence in key fields, including stem cells, genomics, and RNA science. Yet, despite globally relevant research, Canada has not yet translated its scientific strength into a sustainable life sciences industry. Within biotech specifically, this situation is evident in the lack of anchor companies: firms that have scaled innovation, attracted capital, gained significant market share and brand recognition, and serve as bridges connecting regional and global networks of partners, suppliers, and customers thereby creating the conditions for cluster formation and reinforcing innovation within them. (1)

Canadian biotechnology firms, such as QLT and BioChem Pharma, were Canadian anchors that disappeared through acquisition or unfortunate management choices. Meanwhile, every other advanced pharmaceutical market in the world has retained or replaced their anchor firms. These firms tend to generate long-term cluster self-sustainability. While targeted public policy programs are an essential component of thriving life sciences ecosystems, supporting everything from firm creation to jurisdictional competitiveness, they do not, on their own, generate thriving clusters.

Sufficient capital availability and the presence of a robust domestic venture capital sector are key factors in developing and retaining companies with the potential to become anchors. It seems clear that the absence of such a robust domestic venture capital sector, supported by major institutional investors, remains an impediment to the development of Canadian anchor firms.

Canadian venture performance data underscore the opportunity. In 2024, life sciences outperformed all other sectors in 10-year returns and was the only sector to post increased returns over the previous year. (4) Further, although only 11 of Canada’s top 50 VC-backed exits were in life sciences, they accounted for 44% of total exit value and 6 of the top 10 exits. (2) Nearly all of these were therapeutics companies, a capital-intensive subsector that, beyond their disproportionate contribution to total exit value, also demonstrates strong exit capital efficiency.

Capital efficiency is a measure of profitability that compares total exit value to total equity raised, allowing for an analysis of which company exits were the most lucrative to shareholders. According to RBCx, the six therapeutics exits among Canada’s top ten VC-backed exits had an exit capital efficiency ranging from 7.6x to 29.3x. All but one exceeded the median exit capital efficiency of 7.7x and three surpassed the 75th percentile benchmark of 12.5x. (2)

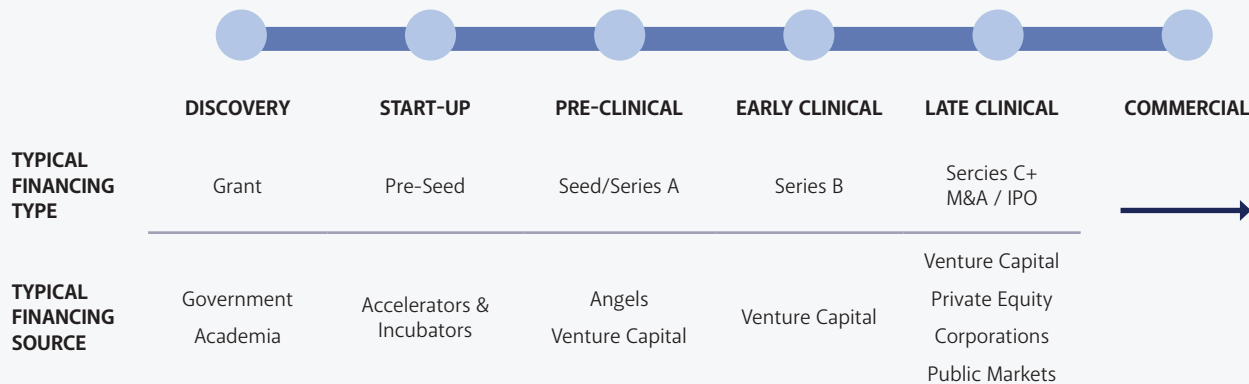
Strong returns for life sciences are not exclusive to Canada. A report from the European Investment Fund also highlights that life sciences outperforms ICT in terms of returns, and is not a riskier investment. (11)

Despite this performance, Canadian life sciences companies receive a disproportionately small share of domestic venture capital funding, securing only 7% of total VC investment over the past decade. (2) The BDC analysis also reveals a lack of active Canadian private investment funds, particularly at the pre-seed, seed, late venture and growth equity stages in the life sciences sector, limiting opportunities for Canadian companies to scale domestically. (3) (4)

This roadblock has implications for Canada’s economic prosperity. In 2021, pharma R&D contributed \$16 billion to Canada’s GDP—less than half the relative contribution of the U.S. biopharma sector, signaling substantial opportunity for the life sciences industry to increase its contribution to domestic productivity and growth. (12) (13) The sector also generates high-value intellectual property, where patents serve as strategic “intangible assets”, which are an increasingly important and growing driver of labour productivity growth. (14) In today’s uncertain economic climate, marked by shifting U.S. policies, trade risks, and a slowdown in cross-border investment and M&A, the need for stable, long-term domestic capital is more urgent and important than ever.

This paper examines capital flows into Canada’s therapeutics companies over the last decade, identifying: (1) the subsector’s relative importance to life science industry performance; (2) the type and geographic location of investors at each stage of company growth; and (3) exit outcomes. Ultimately, this paper suggests that strategies are required to strengthen Canada’s life sciences ecosystem through increased domestic institutional investment, particularly from pension funds, to support a globally competitive sector.

Figure 1: Biotech Company Life Cycle



Data and Context

a. Methodology

The investment data analyzed in this paper were sourced from Pitchbook, a global database tracking private equity, venture capital and M&A transactions. Data were cross-referenced to additional databases including GlobalData and the Canadian Venture Capital Association (CVCA) Intelligence database, to select Canadian therapeutics companies with active R&D pipelines.

From the 2013-2024 Canadian deals dataset, companies were included in the analysis if they:

- Were founded in Canada;
- Focused on therapeutics, as evidenced by active development of therapeutic assets; and
- Maintained either a Canadian headquarters and/or significant R&D activities in Canada.

To explore investor participation across different stages of Canadian therapeutics company formation and growth during this period, the analysis included all financing deals with a direct link to company growth before exit, categorized into Start-up, Early-Growth and Late Growth stages, following the typical financing life cycle of therapeutics companies as defined in Appendix 1. Further analysis was also conducted on Canadian therapeutic exit transactions.

All financial values are presented in USD.

b. Typical Therapeutics Company Financing Life Cycle

Understanding the financial trajectory of a typical therapeutics company provides context for analysing investment trends in the sector. The life cycle of a therapeutics company generally follows distinct stages of development, often spanning a decade or more before reaching commercialization. Each stage requires different sources and types of capital (Figure 1).

The start-up stage is characterized by early-stage companies that receive initial funding to translate scientific discovery into viable drug candidates by securing patents and undertaking preclinical research to generate proof-of-concept data. This initial funding most often comes from government and academic grants, accelerators, incubators, and venture capital (VC) pre-seed and seed-financing rounds.

The early-growth stage is typically made up of companies that have secured larger VC Series A financing, to build management teams, prepare regulatory submissions and initiate early-phase clinical trials. Companies that demonstrate safety and efficacy in early-phase clinical trials then enter the late-growth stage, often securing VC Series B+ financing rounds to conduct further clinical development and pipeline expansion.

Successful completion of late-stage clinical development, regulatory approval, and commercialization typically requires partnership, licensing, or acquisition by large pharma companies with the necessary expertise and resources. In many cases, mergers and acquisitions (M&A) serve as an exit strategy, allowing the company's founders and investors to realize returns based on their equity stakes. Alternatively, therapeutics companies may pursue an initial public offering (IPO), which enables

them to raise capital on public equity markets while offering an exit path for investors. Even post-IPO, acquisition by a larger pharma remains common.

Venture capital firms raise their capital from limited partners (LPs), (so called because their liability is limited by the VC, and specifically within the VC, the general partner (GP), controlling investment decisions). Typically, LPs are larger institutional investors who rely on the specialist expertise of the VC within a specific investment area. Consequently, for VCs, the ability to exit investments is essential to provide returns to their LPs.

Regardless of the actual exit path, data show that emerging companies that adopt an anchor company mindset, prioritizing the generation of data to support key commercially relevant clinical and regulatory milestones, maximize firm value and contribute to economic growth regardless of whether they actually become an anchor company. (1)

Furthermore, a common feature of robust life science clusters is the existence of a strong venture capital industry in which a significant portion of the exit value of successful transactions remains domestic.

Expressed simply, it is important for as much of the economic returns as possible to be retained domestically because these returns are often reinvested in future firms, thereby supporting ongoing growth and long-term economic resilience.

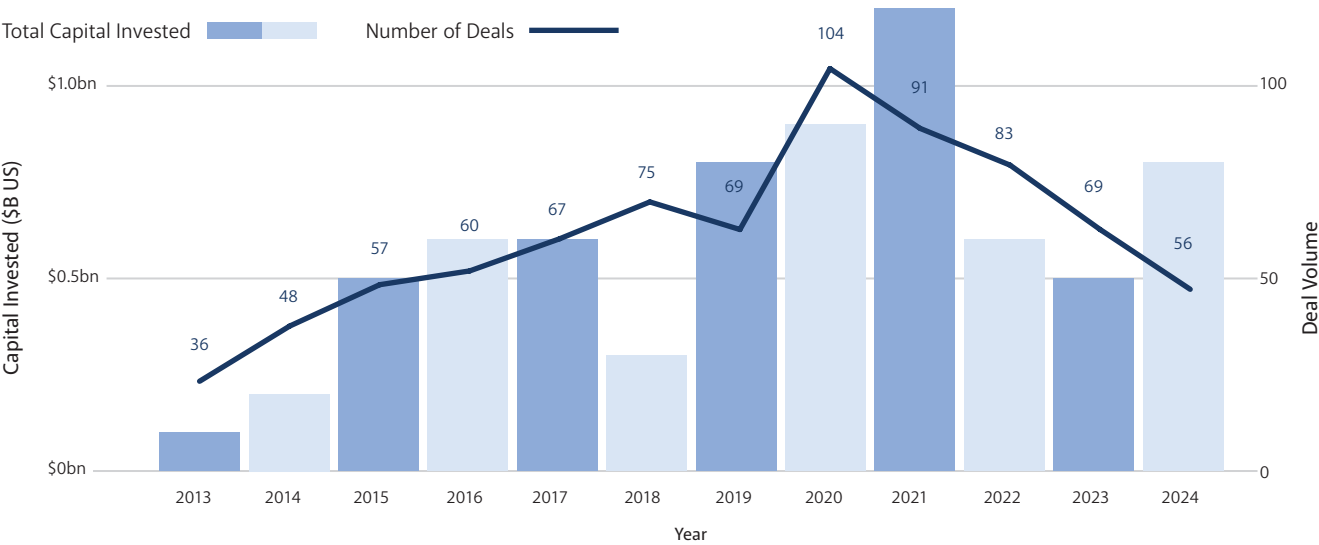
c. General Trends

The analysis revealed that the therapeutics sub-sector accounted for 48% of all Canadian life sciences companies that completed financing transactions between 2013- 2024 and captured 78% of total life sciences venture capital deal value. Therapeutics companies also had higher median deal values compared to the overall life science sector at each stage of growth. These trends highlight the significant contribution of the therapeutics sub-sector to Canadian life sciences overall, while also underscoring the sub-sector's higher capital intensity requirements.

Over the eleven-year period, the annual deal volume and deal value of Canadian therapeutics companies demonstrated an upward trajectory (Figure 2). Total capital raised increased substantially from \$122M in 2013, to \$842M in 2024, peaking at \$1.20B in 2021, during the COVID-19 pandemic which corresponded with a significant spike in VC activity in Canada and around the globe.

In 2024, median deal values for Canadian therapeutic companies were \$0.3 million at the start-up stage, \$5 million at early growth and \$26 million at the late-growth stage. In a recent analysis of global biopharma deals, JP Morgan reported significantly higher 2024 median deal values of \$28 million for pre-clinical, \$56 million for Phase 1, \$48 million for Phase 2 and \$98 million for Phase 3-clinical stage companies. (15) This demonstrates the comparative challenges that Canadian therapeutics companies have in accessing sufficient capital, from the start-up stage to generate pre-clinical data through to late-growth stage to enable phase

Figure 2: Investments in Canadian Therapeutics Companies at Start-up, Early and Late Growth [2013-2024]



Source: Pitchbook database. Financials based on disclosed figures. See Appendix 1 for definitions of company stage. Data from 01/01/2013 to 12/31/2024.

2 and 3 clinical trials, regulatory approvals, etc. It also indicates that Canadian deals are undervalued during early-stage financing, leaving more value to be captured at later stages by foreign investors.

Further, in total, Canadian life sciences companies have raised only two percent the amount raised by US life science companies between 2014-2024, or a ratio of 1:42. (16) This is significantly lower than Canada’s relative GDP ratio of 1:12 over the same period and translates into a notional VC capital shortfall of approximately \$1.5 billion per year (Figure 3). (17) (18)

Greater amounts of capital enable more sophisticated development work, broader pipelines, and stronger teams, enhancing firm value. Additionally, there is a correlation between raising equity capital and faster growth, particularly for small, young, high R&D firms, in part because equity holders directly benefit when the firm succeeds. (19) It is therefore axiomatic that growing the sophisticated venture capital community in Canada is a requirement for the long-term success of the domestic life sciences industry.

To better understand how to address these financing gaps, the type and location of investors fueling Canadian therapeutic companies was analyzed.

d. Investor Type

The financing landscape for Canadian therapeutics companies reflected a diverse mix of public, para-public, and private investors, both domestic and international. However, due to data limitations, the precise allocation of capital by each investor type was not available. Instead, our analysis focused on the proportional participation of investors of different types, which was represented by the percentage of deals at each stage where investors from each category were among those committing capital (Figure 4).

At the start-up stage, investment is driven by risk-mitigating entities including accelerators, angels, universities, and government. As a group,

Figure 3: Total Life Sciences Venture Capital Raised - U.S. vs Canada [2014-2024]

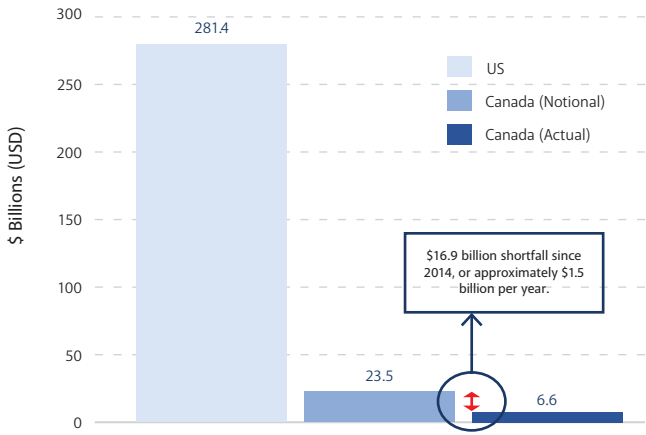
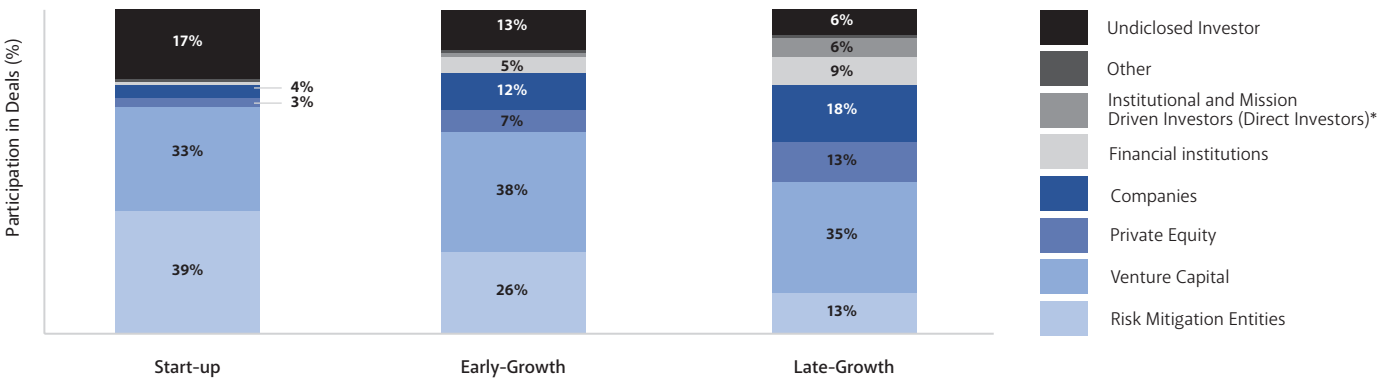


Figure 3: Total Life Science VC funding values for US and Canada (Actual) obtained from Newmark Q4 2024 US Life Science Market Report. Canada (Notional) value is calculated based on the 2014-2024 GDP ratio between Canada and the United States of 1:12.

the proportionate investment of these risk mitigating entities makes up 39% of investors at the start-up stage but declines over advancing stages. Conversely, financial institutions and private equity firms rarely participated in early-stage deals but played increasingly significant roles in later stages as did direct investments into Canadian life science companies from institutional and mission driven investors, including foundations, family offices, pension funds and investment banks. Public and private corporations (companies) participated in financing deals across all stages, albeit with growing significance in later stages. VC firms played a consistently dominant role, making up at least one third of investors at each stage. It should be noted that institutional and mission driven investors are also often limited partners in VC funds.

Figure 4: Participation in Financing Deals by Investor Type across Stage



Source: Pitchbook database. Financials based on disclosed figures. Deal volume normalized to 100%. Risk mitigating entities include: Accelerators, Angels, Universities and Government. Institutional and Mission Driven Investors (Direct Investors) include: Foundations, Family Offices, Pension Funds, Investment Banks, etc. that made a direct investment in a Canadian therapeutic company; note that these investors may also participate as limited partners in VC funds. See Appendix 1 for definitions of company stage. Data from 01/01/2013 to 12/31/2024.

e. Investor Location

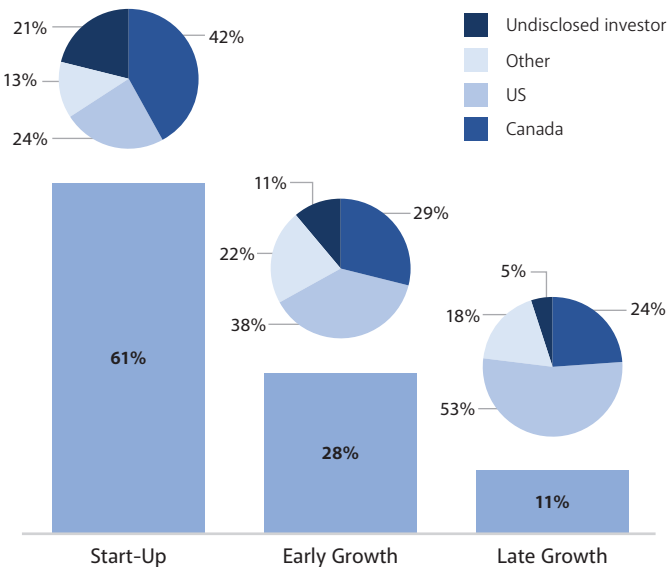
To evaluate the location of firms investing at each stage, the percentage of deals done by firms from Canada, the U.S. or other geographies was examined (Figure 5).

For Canadian therapeutics companies, domestic investors overall represented 45% of the total number of investors and participated in 44% of all deals analyzed over the last decade. The analysis confirmed that participation of domestic investors was highest in early-stage financing deals, while international players took the lead in later-stage rounds (Figure 5a). This trend was particularly apparent when looking at

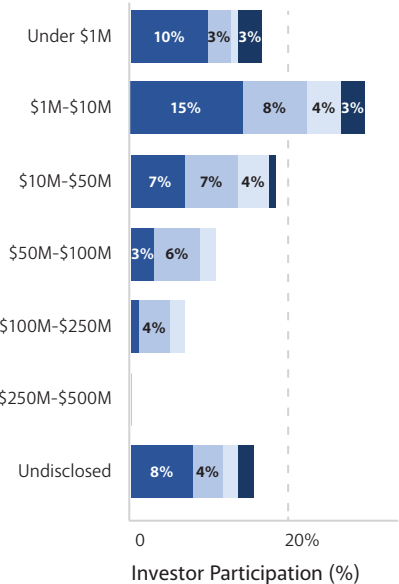
higher deal values (Figure 5b). For deals above \$50M, the proportion of Canadian investors began to lag: international investors represented 76% of all investors and 67% of deal volume. This increase in foreign investor participation for larger deals aligned with overall Canadian VC ecosystem trends across sectors. (20)

Figure 5: Participation of Canadian and International Investors

a) Participation in Deals by Stage and Investor Location



b) Investor Participation by Deal Size (\$US) and Location



Source: Pitchbook database. Financials for start-up, early-growth, and late-stage based on disclosed figures. Investors undisclosed in 15% of the deals. See Appendix 1 for definitions of company stage. Data from 01/01/2013 to 12/31/2024.

Limited Partners

As noted above, VC investors were a major source of capital at all stages of Canadian therapeutics company growth. VCs participated in 56% (457/815) of financing deals between 2013 and 2024 but made up 69% of total capital raised at the start-up stage, 78% at the early-growth stage and 94% at the late-growth stage (Table 1).

Table 1. Investment in Canadian Therapeutics Companies

Stage	Companies	Deals	VC Deals	Total Raised (\$M US)	VC Investment (\$M)	Median (\$M)	VC Median (\$M)
Start-Up	248	501	229	\$664.7	\$459.7	\$0.6	\$1.6
Early Growth	125	226	160	\$3,254.7	\$2,525.0	\$6.2	\$8.3
Late Growth	48	88	70	\$3,379.6	\$3,163.0	\$24.5	\$35.0
Total	307	815	457	\$7,299.0	\$6,147.7	\$1.7	\$4.0

Source: Pitchbook database. Financials based on disclosed figures. See Appendix 1 for definitions of company stage. Data from 01/01/2013 to 12/31/2024.

As General Partners (GPs), VC firms invest capital on behalf of Limited Partners (LPs), and upon exit, investment returns are distributed to LPs. To further examine the geographic origins of funds invested in Canadian therapeutics companies, the location of the disclosed LPs that invested in the VC firms that backed them was explored.

Given the nature of these deals, full investment details were not always publicly available. Even when funds associated with the financing transaction were disclosed it was not uncommon for the LPs backing those funds to be undisclosed. LPs were more likely to be identified if they had an obligation to publicly disclose investments (i.e. pension funds, foundations, public companies, etc.).

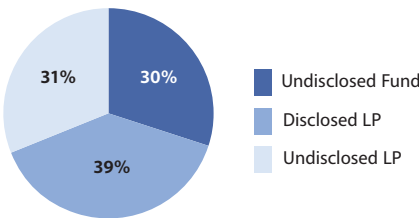
Of the VC deals analyzed, participating funds were disclosed in 70% of the cases, and of those disclosed funds, LPs were disclosed in 39% (Figure 6). With these caveats, Figure 6 does reveal significant investment from international LPs in the disclosed VC funds that backed Canadian therapeutics companies.

Over the period studied, there were 281 disclosed VC funds involved in financing Canadian therapeutics companies, backed by 566 disclosed LPs. The majority (61%) of the disclosed LPs was from the United States, while 29% of LPs were from other international jurisdictions in Europe and Asia (Figure 6b). Only 10% were Canadian. Notably, there is a small group of Canadian VC funds with a strong life sciences specialization and these firms are primarily backed by Canadian investors.

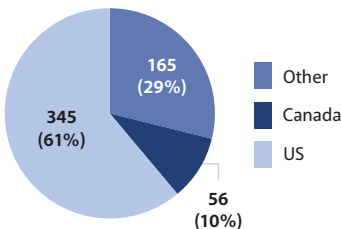
Pension and retirement funds made up the largest group of disclosed LP investors, but only a small proportion of these funds was Canadian (Figure 6, Table 2). This trend holds across nearly all investor groups (Figure 6c) illustrating the critical role of international LP investors in scaling Canadian therapeutics companies. It also demonstrates that the benefits of successful exits are ultimately realized outside of Canada. Even acknowledging that there may be Canadian institutional LPs involved in international funds, this situation ought to be alarming for the Canadian life sciences industry.

Figure 6: Disclosed Limited Partners (LPs) in Funds Financing Canadian Therapeutics Companies

a) Estimate of Disclosed LPs in VC Deals



b) Location of Disclosed LPs



c) Disclosed LP Commitments (%) to Funds by LP Type and Location

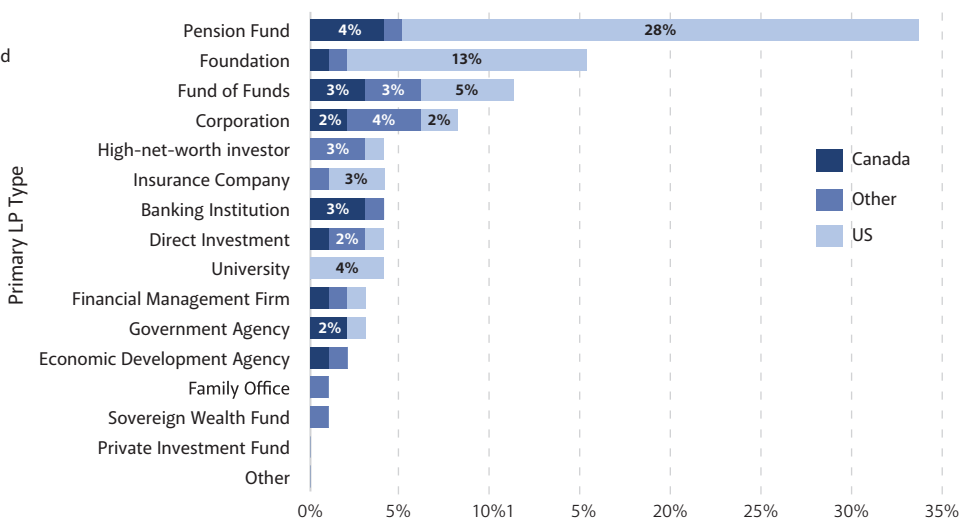


Table 2. Participating Canadian Pension/Retirement Funds

Canadian Pension Funds	Limited Partner Type
Caisse de dépôt et placement du Québec	Public Pension Fund
CPP Investments	Public Pension Fund
Desjardins Group Pension Plan	Corporate Pension
Fonds de solidarité FTQ	Labour Sponsored Fund
Ontario Teachers' Pension Plan	Public Pension Fund
Public Sector Pension Investment Board	Public Pension Fund

Source: Pitchbook database. Analysis based on disclosed data identifying 566 Limited Partner commitments to 281 Funds, that were associated with the 365 Canadian Therapeutic Companies securing investments (all deal transactions included). Data from 01/01/2013 to 12/31/2024.

Who Benefits From the Success of Canadian Life Science Companies?

Exits

Life science VC investments have proven rates of return that exceeded VC investments in other sectors. (4) These returns were realized on exit. In the analysis, a company was considered to have exited if it completed a merger/acquisition (M&A), or an IPO on a domestic or international stock exchange.

Between 2013 and 2024, there were 107 therapeutics company exit transactions, representing a total deal value of \$18.7 billion, with a median exit value of \$36 million. At 69% of exits, M&A transactions were most frequent, followed by IPOs which represented 31% of exits. 2023 was the most successful year with 13 exits with a total value of \$6.5B (Figure 7). In fact, the last three years represented 61% of total exit value since 2013.

Figure 7: Canadian Therapeutics Company Exits [2013-2024]

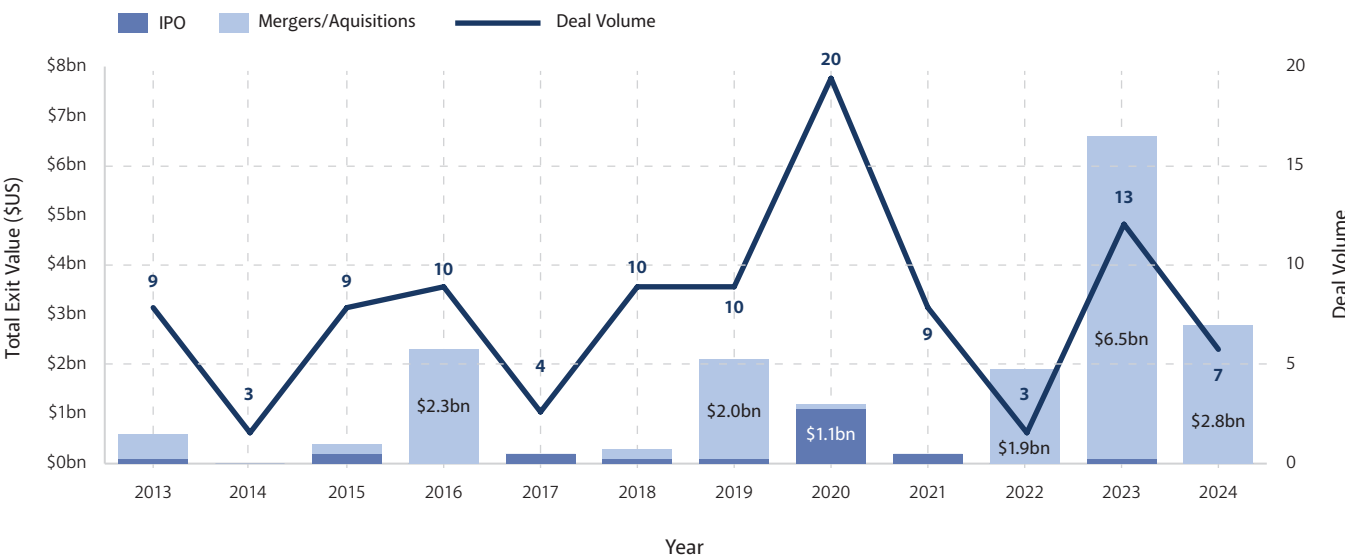


Table 3. Top 20 Canadian Therapeutics Company Exits

Top Exits	Year	\$M US	Exit Capital Efficiency	Exit	\$M Raised	Founded	Years to raise
Chinook Therapeutics	2023	\$3,300.0	11.55	M&A	\$285.75	2019	4
Fusion Pharmaceuticals	2024	\$2,189.0	4.94	M&A	\$443.5	2014	10
Bellus Health	2023	\$2,000.0	7.60	M&A	\$263.28	1993	30
Sierra Oncology	2022	\$1,900.0	23.75	M&A	\$80	2003	19
Celator Pharmaceuticals	2016	\$1,500.0	6.08	M&A	\$246.64	2000	16
Clementia Pharmaceuticals	2019	\$1,310.0	5.54	M&A	\$236.5	2010	9
Inversago Pharma	2023	\$1,075.0	9.76	M&A	\$110.15	2015	8
Ironshore Therapeutics	2024	\$646.0	1.87	M&A	\$345.13	2008	16
Cynapsus	2016	\$635.0	11.28	M&A	\$56.31	2004	12
BlueRock Therapeutics	2019	\$581.6	2.58	M&A	\$225	2016	3
AbCellera	2020	\$555.5	0.57	IPO	\$971.23	2012	8
Medicago	2013	\$315.0	3.26	M&A	\$96.7	1997	16
Repare Therapeutics	2020	\$253.0	0.60	IPO	\$418.5	2016	4
Fusion Pharmaceuticals	2020	\$212.5	0.55	IPO	\$383.5	2014	6
Century Therapeutics	2021	\$211.0	0.32	IPO	\$666.04	2018	3
Cytochroma	2013	\$194.6	1.89	M&A	\$102.76	1996	17
Locemia Solutions	2015	\$149.0		M&A		2012	3
Sierra Oncology	2015	\$137.7	1.72	IPO	\$80	2003	12
Clementia Pharmaceuticals	2017	\$120.0	0.51	IPO	\$236.5	2010	7
Inception 4	2018	\$105.0	21.00	M&A	\$5	2013	5

Source: Pitchbook database. Financials based on disclosed figures. Data from 01/01/2013 to 12/31/2024. Chart shows the total value and volume of exit deals per year, which comprised 69% (73) M&A, and 31% (33) IPO transactions. Table summarizing the Top 20 Canadian Therapeutics company Exits over \$100 million USD.

Investor Benefits x Location

Table 3 identifies the top 20 Canadian therapeutics company exits over \$100M. Only 23% of the investors seeing returns from these exits were Canadian. M&As provided the highest exit values. The seven exits with transaction values above \$1 billion represented about 71% of total exit value. Each of these exits was an international M&A transaction, including Chinook Therapeutics (Novartis), Fusion Pharmaceuticals (AstraZeneca), Bellus Health (GSK), Sierra Oncology (GSK), Celator Pharmaceuticals (Jazz Pharmaceuticals), Clementia Pharmaceuticals (Ipsen) and Inversago (Novo Nordisk).

The top (six) IPO transactions (transactions over \$100 million), with a combined exit value of \$1.5 billion included AbCellera, Repare Therapeutics, Fusion Pharmaceuticals, Century Therapeutics, Sierra Oncology, and Clementia Pharmaceuticals. Of these companies, four remain headquartered in Canada.

When investor location and exit deal size relationships were explored, it was clear that international investors were dominant across all ranges of exit deal values. However, to fully understand where investor returns were realized following exits, the location of the disclosed LP investors backing the funds associated with Canadian therapeutics company exit deals was also considered.

In most cases, when an investor in a Canadian therapeutics company exited, the returns from that exit flowed out of Canada and mainly into U.S. bank accounts.

Of the disclosed LP investors behind the Top 20 exits of Canadian therapeutics companies, 6% were Canadian, 81% were from the US and 13% from other countries (Figure 8). In other words, in most cases, when an investor in a Canadian therapeutics company exited, the returns from that exit flowed out of Canada and mainly into U.S. bank accounts. While some of these investors may have re-invested in Canadian life sciences funds, Canada lost out on much of the direct, indirect and induced impact of these returns, limiting our strength in life sciences to positively impact GDP growth and domestic prosperity.

Pension and retirement funds made up 38% of the disclosed LPs behind the Top 20 Canadian therapeutics company exits. However, only two of these funds were Canadian: Caisse de depot et placement du Quebec (CDPQ) and Fonds de solidarité FTQ (Fonds). In most cases, the pension and retirement fund holders that benefited from successful Canadian therapeutics company exits were from the U.S.

It should be noted that in some cases, Canadian pension and retirement funds made direct investments in companies rather than investing as an LP in a VC fund (Table 4). Taking this broader look at Canadian pension and retirement fund involvement in Canadian therapeutics companies, Canadian Pension Plan (CPP) Investments was a beneficiary in the Fusion Pharmaceuticals IPO and subsequent M&A, and both the CDPQ and Bombardier Pension Plans were beneficiaries of the

Cytochroma exit. Additionally, the Fonds saw returns from Clementia Pharmaceuticals, Repare Therapeutics, Medicago, and Inversago Pharma as a direct investor, as well as being one of the LPs behind Canadian funds (Lumira, AmorChem, Genesys, CTI and Amplitude) and a U.S. fund (Versant Ventures) which were all associated with the top 20 Canadian therapeutics company exits.

These facts alone should cause other institutional investors to consider the Canadian life sciences industry. With more than \$2 billion in cumulative life science investment over 35 years, the Fonds announced they are prepared to increase their risk level in life sciences, investing in earlier-stage projects, signalling experience and confidence in the sector's long-term returns. (21)

Figure 8: Top 20 Exits: Disclosed Limited Partners (LPs) x Type and Location.

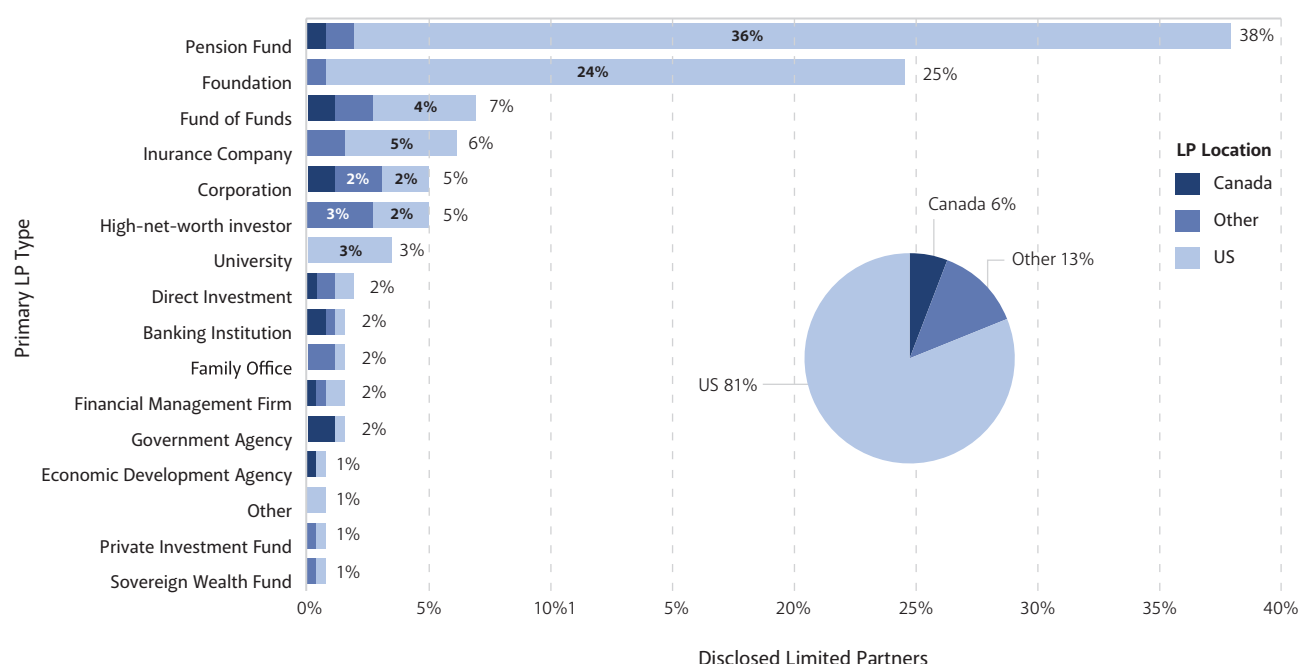


Table 4. Canadian Pension Funds Participation in Direct Investments of Top 20 Companies

Exiting Investor	Companies	Exit Type	Exit Size (\$M US)	Year
Bombardier Pension Plan	Cytochroma (Drug Discovery)	Merger/Aquisition	\$194.61	2013
Caisse de dépôt et placement du Québec	Cytochroma (Drug Discovery)	Merger/Aquisition	\$194.61	2013
CPP Investments	Fusion Pharmaceuticals	IPO	\$212.5	2020
CPP Investments	Fusion Pharmaceuticals	Merger/Aquisition	\$2,189	2024
Fonds de solidarité FTQ	Clementia Pharmaceuticals	Merger/Aquisition	\$1,310	2019
Fonds de solidarité FTQ	Inversago Pharma	Merger/Aquisition	\$1,075	2023
Fonds de solidarité FTQ	Medicago	Merger/Aquisition	\$315	2013
Fonds de solidarité FTQ	Repare Therapeutics (NAS: RPTX)	IPO	\$253	2020

Source: Pitchbook database. Disclosed Limited Partners invested in the Funds that financed the companies which completed the top 20 Exit deals. Analysis based on disclosed data identifying 261 Limited Partner participants in the 55 Funds that invested in the Canadian Therapeutics Companies that completed the top 20 Exits. These deals include all exits with deal value equal or higher than \$100 million USD, completed from 01/01/2013 to 12/31/2024.

The larger participation of pension and retirement funds from Quebec can be partially attributed to the dual mandate these organizations have to maximize returns for Quebec pensioners and invest in the provincial economy. However, there is no formal requirement for the Fonds to invest in Life Sciences. They choose to do so because of the strong return potential and the meaningful impact these investments can have on society.

It is also important to mention that Canadian pension funds invest in international funds and companies as well, so while international pensioners benefit from Canadian life science company success, Canadian pensioners also benefit from the success of international firms.

However, this analysis indicated that while a few Canadian pension funds have begun to enter the life sciences market, as a group, Canadian pension fund engagement is limited. The analysis also helps to identify and prioritize opportunities for increased domestic investment across other investor groups. There remains significant untapped potential to align domestic investment with national innovation goals, a key consideration for fostering long-term domestic growth.

Economic & Societal Benefits

Pharmaceuticals is a global industry where M&A transactions are the norm. Acquisitions of Canadian therapeutics companies by international players have important economic and societal benefits.

Improving patient lives is a core driver for all therapeutics companies and their personnel. Partnerships with global pharma companies play an important role in ensuring new drugs reach more patients. Additionally, career transitions of highly skilled former employees of acquired companies often lead to knowledge spillovers that can accelerate innovation in other companies. (22) In many cases, the Canadian entity maintains and even grows its presence in Canada post-acquisition. In the case of the top seven M&A transactions identified above, each of the companies involved continues to operate in Canada, employing hundreds of Canadians with high-quality jobs.

M&A exits also significantly contribute to the creation of wealth for Canadian founders. These founders, now equipped not only with capital, but also with highly valuable experience in taking a company from concept through exit, are incredible assets for the future growth of the Canadian life science industry, and well-poised to grow and lead anchor firms.

In summary, M&A has played an important role in advancing Canada's life sciences sector and this influence will likely continue. However, there remains an opportunity for Canada to capture more value domestically, by deploying more domestic sources of capital.

The economic and social consequences of the domestic funding challenge are profound. When Canadian startups are acquired by foreign firms, the resulting intellectual property (i.e. intangible assets) is usually transferred abroad. When most of the exit value is also transferred abroad, it becomes challenging to strengthen Canada's innovation ecosystem and establish anchor companies. This in turn limits Canada's ability to capture maximum economic value and generate complete clusters that are shown to drive organic industry growth. Furthermore, as foreign (particularly U.S.) investors become dominant in later stage firms, they

often steer these firms to conduct clinical trials in the U.S. This results in further economic leakage and also limits access of these therapies for Canadian patients in need of new treatments.

Enhanced domestic investment in the life sciences sector, and the therapeutics sub-sector in particular, would generate substantial economic and societal benefits. As referenced earlier, anchor companies, which are key to building thriving innovation ecosystems, are critical to sustaining long-term growth in the life sciences sector. By supporting the development and scaling of these companies, domestic investment would help generate IP, create high-quality jobs, boost tax revenue, and stimulate regional economic development.

Opportunities to Increase Domestic Capital Availability for Canadian Therapeutics Companies

A. Pension Investment and the Growth of R&D Intensive Companies

Certain sources of capital are better positioned to support the long-term growth of R&D intensive companies to retain more economic value in Canada and help potential anchor companies remain rooted in Canada. Principal among these are institutional investors, with their ability to deploy patient capital in support of the innovation sector without any trade-off on investment returns.

Naturally, institutional investors, such as pension funds, sovereign wealth funds, and insurance companies, must prioritize diversified, risk-managed portfolios. Even so, their investment horizons often extend well beyond the shorter-term pressures faced by other investors. This patience enables them to support VCs and firms through the lengthy process of research, development, and commercialization, which are key to generating value.

Academic research has consistently linked pension investment with gains in innovation and productivity. For instance, Gharbi and Othmani (2022) found that long-term institutional investors, particularly pension funds, were associated with stronger R&D intensity and long-term firm performance. (9) Beetsma et al. (2024) also revealed that firms receiving investment from Danish pension funds saw productivity gains of 3-5%, with larger and longer-term investments yielding stronger results, especially for smaller, unlisted companies. (7)

On the innovation front, Pinkus et al. (2024) showed that firms backed by pension funds were significantly more likely to file patents, both in number and impact (as measured by citations). (10) Patents not only protect intellectual property but also enhance firms' ability to attract further capital and talent, boosting job creation and economic growth.

Underlying these outcomes is the concept of patient capital, investments held over extended periods, often a decade or more. (6) (7) This long-term perspective enables firms to weather downturns, invest in fixed assets, and build high-quality teams. (5) These factors increase a firm's "stickiness" to its home region, reinforcing local economic development. (8)

B. Mobilizing Patient Capital for Economic Growth: Global Examples

Recognizing the vital role of patient capital, particularly from domestic pension funds, many countries have implemented policies to unlock long-term investments in emerging technologies, including biotechnology, to drive both economic development and pension security.

United States

US government policies have played a key role in inducing high levels of institutional investment, spurring the growth of what is the most developed VC industry in the OECD. Notably, a clarification of the Employee Retirement Income Security Act's "prudent man" rule in 1978, allowed pension funds to allocate part of their resources to 'risky' investments, with investment rules for other financial institutions including banks, insurance companies and security firms easing in 1999. (23) While the allocations of corporate pension funds to venture capital in the 1980s were initially very modest, even a small allocation of such a large pool led to very rapid growth of the venture capital sector. (24)

United Kingdom

The UK's Mansion House Compact is a more recent example. In 2023, eleven of the largest Defined Contribution (DC) pension providers voluntarily committed to investing 5% of their default funds into unlisted equities by 2030, potentially unlocking £50 billion and boosting a typical worker's pension savings by 12% over a career. Mansion House II, unveiled in May 2025, increased allocations from 5% to 10% with half directed toward domestic investments and is now signed by 17 funds, representing 90% of active defined contribution plan savers. (25)

The Compact complements British Patient Capital (BPC), which was established in 2018 after the Patient Capital Review identified a lack of long-term capital as a barrier to UK business growth. (26) BPC launched a £200m Life Sciences Investment Programme in 2021. By 2023, UK biotech investment surged 94% to £3.5 billion, with BPC leading Series A and B deal activity. (27)

To build on this progress, the British Business Bank recently established the British Growth Partnership (pending regulatory approval), aiming to channel even more institutional capital, including UK pension funds, into high-growth companies, including those in life sciences.

European Union

The European Investment Fund (EIF) has launched several initiatives to engage institutional investors in the life sciences sector, aligning with broader economic development goals across Europe and recognizing the sector's track record for investment returns that outperform other sectors. (11) One example is the establishment of the Venture Centre of Excellence (VCoE) in collaboration with EIT Health in 2020. This 15-year public-private co-investment program connects high investment capacity investors with vetted highly qualified pan-European SMEs "ensuring that the best European life sciences innovations can continue to scale up in Europe thanks to lead European investors". (28) The European Commission provided a EUR 150 million anchor investment, which has been leveraged to mobilize over EUR 2 billion in investment capacity. (29)

The European Tech Champions Initiative (ECTI) is another example, albeit not solely focused on life sciences, to engage European institutional investors in supporting European innovation and economic growth. ECTI, launched in 2023, is a fund of funds program, with EUR 3.75 billion in commitments from the EIB Group, Spain, Germany, France, Italy and Belgium, to provide late-stage capital to promising European innovators seeking to raise amounts of over EUR 50 million. (30) This initiative is not only supporting the growth of European companies, but has also been instrumental in strengthening the European venture capital market by committing significant amounts to enable scale-up funds of EUR 1 billion or more. (31) As of October 2024, ECTI had closed fund deals worth EUR 2 billion, mobilized EUR 10 billion in public and private resources and supported 16 tech scaleups. (32)

Denmark

Life sciences plays an outsized role in the Danish economy with Novo Nordisk alone accounting for half of the country's GDP growth. (33) While Denmark does not mandate domestic investment by pension funds, it fosters alignment with national goals. For example, a recent bill enhances the ability of pension funds to own and operate forests through subsidiaries, promoting green investment and sustainability – an example of policy nudging long-term domestic capital in support of broader public objectives. (34)

France

The Tibi Initiative is a French government-backed effort to address the chronic lack of capital for high potential tech companies in France, reduce reliance on non-European capital and retain startups domestically. Rather than creating new public funds, it mobilizes long-term private institutional investors, primarily pension funds and insurers, through voluntary commitments under the "Tibi Charter" to allocate capital to certified private investment funds. Phase 1, launched in 2019, focused on late-stage capital (Series B, C, pre-IPO rounds) for tech companies across software, biotech, fintech, robotics and mobility. (35)

In Phase 1, 24 major institutional investors pledged over EUR 6 billion to the initiative. Phase 2, launched in 2023, has grown to 35 investors and secured EUR 7 billion in new commitments. It has expanded its scope to include an early-stage segment and is explicitly aligned with Europe's technological sovereignty agenda, targeting sectors deemed critical for long-term competitiveness and resilience. The initiative is credited with significantly accelerating the growth of French VC and growth equity funds. As of April 2024, 92 certified funds were managing a total of EUR 22 billion in assets with a significant rise in larger funds, several now approaching or exceeding EUR 1 billion in size. (35) Bpifrance, France's public investment bank, plays a pivotal role by co-investing and facilitating fund visibility.

Notably, Tibi 2 has made strides in life sciences. Across the board, the health sector accounts of nearly 20% of investment. (36) Additionally, collaborations between the French Treasury, the Tibi mission, and organizations like France Biotech have been established to educate institutional investors about opportunities in the HealthTech sector. (37)

Ireland

The Ireland Strategic Investment Fund (ISIF), a sovereign development fund launched in 2014 with the remaining assets of the National Pensions Reserve Fund, has a dual mandate: to generate commercial returns while supporting economic activity and employment. ISIF typically invests EUR 20 million+ in medium to large firms, including those in life sciences and technology, filling an equity and debt financing gap for medium and mid-to large cap companies. As of 2023, ISIF reports EUR 2.3 billion in returns, EUR 11.1 billion in crowd-in private investment and over 42,000 jobs created. (38)

Korea

Korean Venture Investment Corp (KVIC) is a government-backed fund-of-funds manager. It has played a catalytic role by leveraging government investment to attract 4.37 times that amount in private institutional capital. (39) It supports sectors deemed strategic for national competitiveness with dedicated funds, including funds for biotechnology and healthcare. In Q3 2024, nearly fourteen percent of deal value was allocated to the biotechnology and healthcare industry. (39)

C. Towards a Made-in-Canada solution

As venture capital funds provide most of the funding to Canadian therapeutics companies, it is important to consider the source of LP investors funding the VC funds as this is a potential point of economic leakage. While there is a small group of Canadian VC funds with a strong life sciences specialization that are primarily backed by Canadian investors, these domestic funds are too few and too small to support scaling therapeutic companies throughout the entire funding life cycle. As a result, more than 75% of investors are international. Alongside international investment can come pressure to redomicile companies outside of Canada. Additionally, investors participating in the earliest stages of company growth, where Canadian investors focus, are under pressure to generate returns that can counter long-term development needs.

Taken together, these data present a compelling case to increase domestic investment so that Canadian investors take advantage of the sector's strong returns and so that Canada captures more economic and social benefit from the sector, contributing to long-term economic and health resilience.

Although the analysis was based only on disclosed LP data and therefore does not capture the full investment landscape, Figures 6 and 8 highlighted that the proportion of Canadian LP investment among disclosed LPs is low across nearly all investor groups. While this dataset represents only a portion of total LP activity, it still provides directional insight into where domestic participation is limited, and where strategic interventions may be most impactful.

Among disclosed LPs supporting Canadian therapeutics companies, the analysis highlights significant opportunity for increased domestic institutional investment, primarily from pension funds. These not only make up the largest group of disclosed LPs but are also associated with the success of innovative firms. In addition to pension funds, the data suggest underutilized potential within other institutional investor groups, notably universities, foundations, funds of funds, and insurance

companies. Each of these groups presents important opportunities to broaden and deepen domestic capital participation in the therapeutics sector.

Though they are not necessarily institutional investors in the traditional sense, finding ways to engage domestic family offices and sophisticated high net worth individuals should also be considered. As investor groups, they make up a significant portion of investors in Canadian therapeutics, but each group is predominately made up of international investors.

Engaging Canadian Institutional Investors

Commonly cited barriers, such as minimum investment thresholds, perceived risk, limited fund scale, and sectoral unfamiliarity, are real but easily surmountable challenges. In a time of economic uncertainty and global competition for innovation leadership, Canadian institutional investors and pension funds can play a transformative role in building domestic anchor companies, securing domestic IP and reinforcing Canada's future as a life sciences leader, while delivering long-term value to fund beneficiaries.

There are already important discussions underway along with new recommendations to incentivize greater domestic investment. These include proposed tax policy reforms, including with respect to capital gains, the elimination of the 30% rule for pension fund equity stakes, and expanded public-private investment programs, like the Venture Capital Catalyst Initiative. (40) However, these initiatives are largely sector-agnostic. To maximize their impact, targeted measures for the life sciences sector could align federal and provincial life sciences industry growth strategies, and importantly contribute the sector's strong return on investment to pensioners.

To that end, Canada might consider convening institutional investors, starting with pension funds, for structured engagement sessions. These could be focused on education about sector trends and performance and on co-designing "fit for purpose" investment vehicles that align with investor needs and unlock capital for high-growth Canadian therapeutics companies. Common mechanisms could be found to address the legitimate issues behind institutional investment decisions, such as over concentration, investment/fund dominance, risk of limited liability status, and sector expertise.

Lessons can be drawn from international examples and Quebec's dual mandate approach to maximize returns, while investing in the province's economy. This approach helps to explain why Quebec pension funds have been most active in Canadian therapeutics companies and funds to date. This long-term and consistent activity has led to a knowledgeable and flexible approach that would likely endure even without the dual mandate.

A national strategy that builds on these foundational elements could similarly activate broader and deeper pools of domestic capital, helping to ensure Canada captures more value from one of its most promising economic engines.

Conclusion

Canadian therapeutics companies have consistently faced capital challenges from start-up through late-stage growth, with recent global economic uncertainty only compounding the issue. Mergers and acquisitions of Canadian therapeutics companies by global pharmaceutical firms have provided strong returns on investments along with clear benefits, ensuring broader patient access, enhancing executive experience, and enabling knowledge spillovers that can accelerate innovation in new companies, often while preserving domestic operations and jobs.

However, most financial returns and intellectual property are exported and captured abroad. This limits Canada’s ability to build an enduring industry cluster, retain strategic assets, and benefit from long-term wealth creation. Simply put, if the lion’s share of economic benefit continues to flow outside of Canada, we will never break the cycle, and both meaningful industry growth and the creation of Canadian therapeutics anchor companies will remain elusive.

Increased domestic investment, particularly from institutional investors such as pension funds, presents an opportunity to change this trajectory and these outcomes. These investors are well-positioned to provide the kind of long-term, stable capital required to scale therapeutic innovations and develop globally competitive companies that remain rooted in Canada.

Beyond driving firm growth, this capital would yield significant societal benefits, including high-quality job creation, retention of valuable IP within Canadian borders, a stronger pipeline of experienced founders and executive talent, long-term reinvestment into the Canadian innovation ecosystem, enhanced access to life-altering therapies and improved domestic health security.

The data are clear that the Canadian life sciences industry provides attractive financial returns for investors, represents a significant underdeveloped economic development asset, and creates lifesaving products. Currently, the results of these returns are being enjoyed outside of Canada which stifles the development of this valuable sector. Furthermore, there is a direct correlation between the participation of institutional investors and success of innovative firms internationally.

The absence of most domestic pension funds from this sector represents genuine concerns that can be readily addressed by well-intentioned and objective actors. At a minimum, the considerable success enjoyed by those domestic institutional investors who do engage in the industry today validates that it is worth the effort to find accommodations, solutions, or supporting mechanisms to facilitate their active participation in this sector.

Appendix 1

Definitions	Description
Therapeutics Company	— Life sciences companies focused on drug discovery, drug delivery, or therapeutics development. Companies were selected based on information from Pitchbook verticals, industry sector classifications, company descriptions, websites, and disclosed R&D pipelines in the GlobalData database. Exclusions: Health tech, CDMO, CROs, manufacturing, medical device, diagnostics, nutraceuticals and cannabis companies.
Canadian Company	— A company founded in Canada with headquarters and/or significant R&D operations in Canada
Start-Up	— First round financing deals before a Series A, including venture capital, angel investors, accelerator/incubator funding, and corporate investments when the first investment occurred within the first two years of company inception round or equivalent.
Early-Growth	— Series A financing deals and other financing deals after Series A, but before Series B.
Late-Growth	— Series B+ financings or equivalent, up to, but before, an exit deal.

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