



Catherine Lewis La Torre

➤ **Please could you provide an overview of British Patient Capital (BPC)?**

British Patient Capital (BPC) is the UK's largest domestic investor in venture capital. Our mission is to enable long-term investment in innovative companies across the UK, led by ambitious entrepreneurs who want to build successful, world-class businesses.

With more than £3 billion to invest, we do this via three programmes: The £2.5 billion core funds and co-investment programme; the £200 million Life Sciences Investment Programme (LSIP) established to increase the availability of later-stage finance to high-potential UK life sciences companies; and Future Fund: Breakthrough, a £375 million fund co-investing in high-growth, R&D-intensive UK companies operating in breakthrough technology sectors. Across all activities, BPC invests on a commercial basis to deliver competitive returns to the UK taxpayer.

➤ **In the recent Spring Budget, Chancellor Jeremy Hunt extended BPC's mandate to 2033, with total commitments including capital from institutional investors, now more than £10.7 billion since launch. What**

The start of a new relationship?

➤ **Laura Blows speaks to British Patient Capital CEO, Catherine Lewis La Torre, about the increasing efforts to encourage UK pension schemes to invest in venture capital, an asset class not traditionally considered for their portfolios, and the role this investment could play in driving the UK's economic growth**

will this mean for BPC's work going forward?

The Chancellor's decision will allow us to keep backing the innovative companies that will drive the UK's economic growth. The decision to extend BPC's mandate until 2033, and the agreement in principle to recycle our capital to fund new investments, gives us the certainty to plan for the future, and means more high potential companies will be able to access the long-term, patient capital they need to scale up. I'm proud of the role BPC has played over the past five years catalysing billions of pounds of private sector investment into venture capital.

A recently published independent evaluation, commissioned by the British Business Bank and undertaken by SQW, found that investments by BPC are a driving force for innovation in the UK, enabling companies across frontier science, disruptive technology and deep tech solutions to access finance more quickly and at a larger scale. BPC-backed firms are likely to generate economic benefits of £5.1 billion by 2030/31.

However, for these solutions to truly scale over time, there is more work to do to address the later stage funding gap. There is substantial dry powder within the BPC programme, which will be deployed, supporting the next generation of businesses in the coming years, and

supporting the venture capital ecosystem across the UK.

➤ **In a 2019 report from your parent company, British Business Bank, *The Future of Defined Contribution Pensions*, it stated that there were both opportunities and challenges for defined contribution scheme investment in venture and venture growth capital. What would you say these opportunities and challenges are?**

There is a strong case for high growth, innovative UK companies to be supported by investment from defined contribution pension schemes. The findings of our report showed that a 22-year-old new entrant to a default fund following a 'lifestyle' strategy could achieve a c.7-12 per cent increase in their total retirement savings by investing in venture and venture growth capital. At the same time, we are seeing a significant shift in sentiment from savers looking to better understand where their pension pot capital is going and the difference that their investments make to local and global economies. Performance potential plus the tangible benefits that venture and venture growth capital bring to small businesses is something defined contribution pension scheme sponsors should therefore carefully consider.

There are, however, legitimate

challenges around perceived high costs, high risk and complex management structures that need to be resolved for wider take up of the opportunities the venture and growth asset classes offer for retirement savers. There is already work being undertaken at an industry level to address these questions, such as efforts to improve the quality and availability of industry-level data on historic returns.

BPC, as part of the British Business Bank, is working closely with government on the productive finance agenda. We are in regular dialogue with industry groups and with other investors as part of this collaborative engagement.

➤ What role can BPC play in assisting pension schemes' with their ESG considerations?

As the leading LP in UK venture capital, we are committed to driving positive change in how ESG is considered within investment and encourage other LPs, including pension schemes, to do the same. British Patient Capital has adopted the Institutional Limited Partner Association (ILPA) diversity template as an integral part of its due diligence. In accordance with this template, we promote the necessity for diverse teams with the general partners we back and attempt to spread best practice on this issue because we know that diversity is a critical success factor for high performing teams.

In February 2023, British Patient Capital also became a signatory of the government's Investing in Women Code initiative, committing to support the advancement of female entrepreneurship in the UK by improving female entrepreneurs' access to finance in the venture capital sector. As one of the first institutional LPs to do so, we hope others will follow suit and sign up to this important commitment.

The British Business Bank is committed to leading industry standards on environmental considerations, including membership of the UN

Race to Zero campaign. In addition to observing and reporting against these industry standards, BPC strives to drive collaboration with other investors to increase the pace of the transition to net zero.

➤ The Spring Budget also included plans for a Long-term Investment for Technology and Science (Lifts) initiative. How, if at all, will BPC interact with this initiative, or initiatives like it?

The government has published an invitation to provide feedback on the Lifts proposals, which includes the potential for government investment into successful bids, as well as potential investment collaboration with British Patient Capital, leveraging our investment capabilities and market access.

This is an important initiative, with the potential to unlock billions of pounds of additional investment for the UK's fastest growing and most innovative companies, while also enabling the UK's pension savers to benefit from the value created by UK innovation. We look forward to supporting government in the next phase of the Lifts initiative, and on its wider package of ambitious measures to unlock DC pension investment into innovative firms to be announced in the autumn.

➤ With the push towards pensions consolidation, what role could this increased scale have in the take up of pension investment in patient capital (from both a DB and DC perspective)? And with the LGPS as well, as the government has announced plans for a consultation for their further consolidation?

With increased scale, pension schemes will benefit from lower administrative costs and higher efficiencies when investing in the venture capital and growth equity asset classes. Pension schemes in the

UK are highly fragmented and pooled vehicles can deliver key benefits of scale and diversification, as well as providing centralised management and administration processes. A few, large schemes have the infrastructure and capital to independently develop bespoke mandates with fund managers. However, this is likely to be challenging for smaller schemes.



➤ Looking longer term, once these developments have bedded in, what role do you see patient capital playing within UK DB and DC pension scheme portfolios?

In the UK, pension funds (both public and corporate) contribute less than 10 per cent of the capital committed to the UK venture capital market. In the US, that figure is more than 70 per cent. As developments in how pension funds allocate their capital take shape, there is great potential for schemes to both diversify their portfolios and capture additional value for savers. Historically, a lack of patient capital has held back many firms from scaling up, dampening their ambition and preventing them from reaching their full commercial potential. Pension funds can play a significant role in addressing that funding gap to the benefit of their retirement savers as well innovative, high-growth companies that are dependent on patient capital to scale up.

➤ Written by Laura Blows