Investments that can bring a healthier financial and social return?

Malcolm White
Managing Director, UK Institutional Business and Head of UK LGPS
ICG

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The new frontier for investment is within the human body. Innovative therapies are urgently needed to treat patients with a range of conditions, often associated with ageing as more people live longer – such as Alzheimer's disease – or with genetics – such as cancer.

At the same time, revolutionary methodologies are enabling researchers to "create" medical treatments from scratch more quickly, more safely and more effectively than ever before. The latest technologies such as gene editing allied with artificial intelligence and machine learning are changing the way medicines are developed. This makes life sciences an area with great potential for investment.

What is life science?

According to the UK Bioindustry Association, "Life science encompasses all the scientific disciplines that study living organisms, including biology, biochemistry, genetics, and microbiology."[1] It can also include the term biotechnology.

Life sciences companies are currently responsible for the lion's share of medical innovations. Their annual turnover reached £108.1 billion in 2020[2].

There is a simple reason why life sciences are on the rise.

The global market for prescription drugs is growing at a very fast rate. In 2020, its value stood at US$1.9 trillion. By 2030 it is predicted to reach US$3 trillion[3].

The size of this prospective new market makes it extremely attractive for scientific researchers and entrepreneurs alike.

That means there's a massive opportunity for life sciences companies to make an even greater contribution to developing cures for more diseases. And to make an equally sizeable contribution to growing the UK economy.

This in turn creates a massive opportunity for long-term investors. Particularly as life sciences is the top-performing investment company sector of the last decade in the UK (experiencing a 491% return between 2010-2019)[4]. And that opportunity comes with extra support from the UK government to the tune of £250 million.

Why are life sciences experiencing such rapid growth?

One of the main reasons is that the way new therapies are created is changing. Until fairly recently, the vast majority of medical drugs were developed by leading pharmaceutical companies.

Now however, almost half (48%) of approved new drugs are the products of R&D by biotech firms. Only 38% come from big pharmaceutical companies[5]. The change could actually be even clearer than the raw figures suggest, as many of the new drugs that are currently owned by big pharma are actually the product of mergers and acquisitions involving takeovers of smaller life sciences companies or spin outs from big pharma companies themselves.

It is difficult to see any reason for that trend to reverse in the coming years.

All major trends in healthcare are driven by biotechnology[6]

Personalised medicine
Better treatment outcomes as a result of biomarker-driven patient-specific treatment selection.

Data and artificial intelligence
Faster drug development thanks to higher data content in R&D along with improved accuracy.

Prevention and diagnostics
Earlier diagnosis and disease prevention through genetic screening and targeted vaccines.

Innovative treatments
New treatments for previously untreatable conditions for example: Alzheimer's disease, spinal muscular atrophy.

Why choose the UK?

There are a number of factors why the UK is ideally placed to benefit from the growth of life sciences.

Firstly, it already has an outstanding track record in the research and development of drugs. Most recently, it was the first country to approve and administer a vaccine against Covid-19. Indeed, the first person in the UK received their vaccine only 12 months after the discovery of clusters of the virus in Wuhan, China.

The UK is also home to the leading biotechnology cluster in Europe, with more than 70 companies and 10 new spin outs investigating cell and gene therapies alone. So there's a strong commercial life sciences culture. That culture is built on a firm educational foundation, with the UK also laying claim to four of the top 10 global scientific universities, as well as almost one fifth of the world's leading life sciences publications.

The UK is already the leading country for life science venture capital funding in Europe, with £13.2 billion in value raised for life sciences companies since 2012. So there's a track record of success here, as well as clear pathways for investment[6]

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However, much of this funding has been devoted to early stage and pre-clinical stage development. What is needed now is extra investment to scale up these businesses and get the drugs they are developing through to market approval. (The whole process can take up to 15 years and has been estimated to cost more than $2.5 billion.)

This means there is a clear opportunity for long-term investment to take new treatments developed by life sciences companies the "extra mile" to the finishing line.

Huge potential to boost the UK economy

The UK's "Life Sciences 2030 Skills Strategy" attempts to quantify the size of the boost life sciences could give the economy. It identifies that the annual gross value added (GVA) for everyone employed in life sciences amounts to £104,000. This is more than twice the average for UK workers across all sectors of £49,000[7]. So it's clear that this is an industry that is already punching above its weight in economic terms.

The Life Sciences Vision

The UK government has declared its ambitions for the life science sector in its Life Sciences Vision in 2021. This is a 10-year plan to make the UK the best place in the world to invest in life sciences. It includes a clear goal for the UK to "regain its status as a science superpower"[8].

A vision with government support – and money

Alongside this vision, the government has also launched Long-term Investment for Technology and Science (LIFTS) initiative, which is designed to support UK institutions to invest in the sector[9].

The British Business Bank, which is administering LIFTS expects "an initial government-funded commitment of up to £250 million to be available to support successful proposals in mobilising institutional investment into the UK's science and technology companies."

LIFTS is particularly designed to appeal to Defined Contribution (DC) pension funds. And its purpose is clear: "to support the growth and ambitions of the UK's most innovative science and technology companies".

It aims to do this by:

- Unlocking UK institutional investment
- Catalysing investment into UK science and technology
- Stimulating the UK VC ecosystem

LGPS can change the future for patients and pension-holders

But before this government support can play its role, investors will have to play theirs. LGPS could do an enormous amount to help make this vision real. With holdings of almost £300 billion in England alone, it has the power to change the future: for patients, for its policyholders and even for the UK economy.

A financial return – and improvements in health

A recent report[10] suggests that the UK has the potential to become the leading global life sciences hub, but it needs investment now. That could lead to a £68.1 billion boost to GDP over 30 years, create tens of thousands of new, high-quality jobs, and bring about a 40% decrease in the total attributable burden of disease.

This is an enormous prize. One that could be described as a very healthy return on investment.

Our strategy

ICG's strategy for life sciences is built around a strategy of creating and building companies in this sector addressing commercially attractive markets in diseases of high unmet medical needs. To realise this strategy, we aim to build portfolio of somewhere in the region of 15-20 preclinical and clinical-stage growth opportunities in life sciences companies. We are considering equity investments of between $20-100 million per company.

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