

Pensions & Investments

International Newspaper of Money Management

August 9, 2001

BioVentures beats odds to raise institutional cash

The Quaker BioVentures LP buyout fund started out facing an uphill battle in reaching institutional investors.

But, as Quaker executives tell their story — which sounds a bit like the children's favorite, "The Little Engine that Could" — they won out.

First of all, BioVentures was the first fund of a new buyout firm, and a regional fund at that, investing only in life-science firms in the mid-Atlantic region of the United States.

"The majority of institutions will not invest in a regional or a first-time fund," said Larry Hollin, principal at Quaker BioVentures Inc., Philadelphia.

And worse, fund raising began during the worst possible time, February 2002, in the aftermath of the Sept. 11 terrorist attacks and the bursting of the tech bubble.

It took a year to raise the \$200 million in the fund at its initial closing, said Sherrill Neff, founding managing partner.

But now, "institutional money is 80% of the fund," she added. Those institutional investors include the \$24.7 billion Pennsylvania State Employees Retirement System, Harrisburg, which invested \$20 million; the \$8.3 billion Dow Chemical Co. pension fund, Midland, Mich.; and the \$346 million Wallace H. Coulter Foundation, Miami.

The largest group of investors is public pension funds, the next chunk is from endowments, and



Quaker BioVentures Principal Larry Hollin pointed out that most institutional investors eschew both regional and first-time funds.

the smallest is from corporate pension funds, Mr. Hollin said.

Mr. Neff said once they got their foot in the door, Quaker was able to convince pension and endowment executives that the investment strategy was a good one. Many of the universities and medical research facilities that obtain the lion's share of federal grants are in the mid-Atlantic region, as are a number of small companies that license the patented discoveries.

The regional focus also suited public pension funds, which are attracted to local investments, he said.

In addition, "Philadelphia is near the headquarters of a number of pharmaceutical companies," Mr. Neff said. "We can access that knowledge and when it comes time to exit, the exit strategy will be a lot easier."