



Ottawa names five winning funds to receive \$350-million in latest venture-capital program

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The Trudeau government has selected five fund-of-fund managers to make good on its pledge to continue supporting Canada's venture-capital industry.

Ottawa is going mostly with familiar names for its Venture Capital Catalyst Initiative (VCCI), first announced in the 2017 budget after intense lobbying by Canadian venture capitalists. Four of the five managers chosen to disburse \$350-million on the government's behalf to venture-capital firms – that in turn invest directly in startups – were the same quartet chosen by the previous Conservative government for a similar initiative: Northleaf Capital Partners and Kensington Capital Partners of Toronto; Teralys Capital of Montreal; and Boston-based HarbourVest Partners LLC.

The fifth is newcomer Hamilton Lane Advisors LLC, a Pennsylvania-based private fund manager founded in 1991 that manages more than US\$53-billion in assets.

Federal Innovation Minister Navdeep Bains said in a statement the announcement "furthers the government of Canada's work to create an investment environment where made-in-Canada breakthroughs can challenge the status quo and change the world."

In addition, the government said the five recipients promised to enhance diversity and increase the participation of women across the male-dominated venture-capital sector, a condition of winning the mandate. "This important initiative will help increase gender

(BDC), but will only get any money out once private investors receive their full capital back, plus a 7-per-cent return.

The original venture-capital funding program introduced in 2013 helped stimulate the Canadian tech sector at a time when the grouping of early-stage financiers that backstop high-growth, high-risk tech startups was recovering feebly from the Great Recession. That program generated \$1.4-billion for venture-capital funds – including \$340-million from Ottawa, more than \$100-million from Ontario and Quebec and \$900-million raised from the private sector – that led to a surge in financing for startups.

In addition, several new funds founded in the past decade by former tech entrepreneurs including Georgian Partners, Real Ventures, iNovia Capital and Golden Ventures have come of age, posting top-quartile returns after backing a swath of startups that emerged into significant “scaleups” that expanded globally and attracted significant outside capital including Shopify Inc., Element AI, Ritual Technologies Inc., Wattpad (officially known as WP Technology Inc.), and Lightspeed POS Inc. Venture-capital investment increased by 11 per cent in 2017, totalling \$3.5-billion, according to the Canadian Venture Capital Association.

Still, venture capitalists pleaded with government two years ago for a repeat, arguing the financial momentum created in large part by the Harper government’s infusion of cash (in addition to close to \$200-million invested annually by the BDC in venture funds and directly into startups) could tail off unless Ottawa followed up with at least one sequel program. The pitch won early favour with Mr. Bains as the Tories’ plan began to bear fruit and the sequel program became one of the planks of the Liberal’s innovation agenda, which includes funding for a “Superclusters” program, funding for artificial-intelligence institutes and a new program to make it easier for startups to sell early-stage technology to government.

This year’s five chosen fund-of-funds must ensure 60 per cent of total capital goes to Canadian

also provide funding as it did for the first venture-capital funding program.

Another key difference in this year's program is how the government plans to distribute the remaining \$50-million of its \$400-million investment. Last time, it injected the money into four high-performing venture funds. This time, Ottawa plans to bankroll "alternative investment" fund managers not typically supported by funds-of-funds, such as those investing only in women-led businesses, focusing on Indigenous or immigrant entrepreneurs or those that provide so-called "matching" capital or raise venture funds one deal at a time. It plans to announce the winning names at a later date.

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