

Northern Gritstone secures £215m in backing for university spin-out deals

The university spin-out venture chaired by Lord O'Neill, the former Treasury minister and Goldman Sachs economist, has secured backing from a pair of large local authority pension funds as part of an initial £215m fundraising.

Sky News understands that the Greater Manchester Pension Fund and West Yorkshire Pension Fund have joined a string of major institutional investors in backing the new vehicle, which is a collaboration between the universities of Leeds, Manchester and Sheffield.

The first close of its fundraising, which will be announced widely on Friday, will represent a key milestone for [Northern Gritstone](#).

Chaired by Lord O'Neill and run as chief executive by Duncan Johnson, the former boss of Caledonia Investments' private capital arm, it aims to raise up to £500m to back early-stage businesses.

It intends to become one of the UK's most prolific investors into academic spin-outs and intellectual property-rich businesses.

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Northern Gritstone's other backers include M&G Investments, Lansdowne Partners and Andrew Law, the CEO of hedge fund Caxton Associates, who is investing in a personal capacity.

"The strong endorsement of Northern Gritstone we've seen from investors is testament to the huge scale of the opportunity in northern England's world class science and innovation hubs and

the spinouts they are producing,” Lord O’Neill said.

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“By investing in Northern Gritstone, asset managers are directly buying into the brightest prospects for Britain’s future economy.”

He added that the fundraising would enable the venture to “deliver its philosophy of ‘profit with purpose’, which

underpins all we seek to do”.

The first close of the fund is expected to be swiftly followed by announcements about its inaugural investments.

Sky News reported last year that it will focus its investing activities on fast-growing sectors such as advanced materials, health technology, cognitive computation and AI.

“There is rightly huge excitement about the innovative, science-led spin-outs emerging from our leading research universities and the ecosystems they support, and this has been reflected in our conversations with investors so far,” Mr Johnson said.

He claimed that the presence of a venture such as Northern Gritstone would “accelerate the development of a northern innovation hub to rival the UK’s Silicon Fen and ultimately Silicon Valley”.

Northern Gritstone’s aim is to harness one of the world’s leading combined pools of researchers, academic staff and postgraduate students – with Leeds, Manchester and Sheffield universities having been home to 38 Nobel Prize winners.

Its founding universities are said to produce close to 10% of all patents and one-fifth of all intellectual property licences filed by higher education institutions in the UK.

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Comparable university spin-out ventures, such as Oxford Sciences Innovation, have grown into major enterprises with ‘unicorn’ valuations.

The new investment company, which is being advised by bankers at Lazard, appears to have picked an auspicious period in

which to launch, with substantial government attention and resources focused on the levelling-up agenda outlined by Boris Johnson as part of his 2019 general election campaign.

While critics of the government argue that it is moving too slowly to deliver on that manifesto, vehicles such as Northern Gritstone may be aided by policy tailwinds.

Alex Seddon, the head of M&G's Catalyst team, said: "British universities have a growing reputation for exceptional research capabilities, successful spin-outs and innovation hubs but institutional capital has remained concentrated in the south.

"The momentum around Northern Gritstone is fuelling a thriving northern venture ecosystem, widening access for investors to back exceptional talent from across the UK."