

# Retirement meets research: Why DC pension schemes are investing in university spinouts

The Mansion House Accord II directs participating schemes to invest 10% of their workplace funds in economy-boosting assets such as infrastructure, property and private equity by 2030. As a signatory to the Accord, we explore why investing in the UK university spinout sector could benefit UK Plc and DC pensions.

The UK Government's legislative priorities highlight the importance of working with universities to support spinouts<sup>1</sup>, and the importance of infrastructure to help incubate growth, such as laboratories. Meanwhile, the Solvency framework and the Mansion House reforms aimed to unlock higher returns by making it more efficient to invest in venture capital and productive assets.

## An innovation ecosystem

Universities are innovation hubs. They generate and support the commercialisation of intellectual property (IP), provide an environment for students to form start-ups, and collaborate with larger corporations on technology development via licensing IP.

As the spinout gains traction, it can take venture capital (VC) funding to support its growth. The university can continue to provide support, including through collaborations and training.

Among European applicants to the European Patent Office, universities were responsible for over 10% of all patent applications in 2019, up from 6% in 2000<sup>2</sup>. There is a



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correlation both between the number of patents a university files for and the external investment received, and between GDP per capita and academic patents per capita<sup>3</sup>. This demonstrates there is a local and national economic growth implication.

As university spinouts are more likely to subsequently collaborate with universities, this suggests, in our view, greater investment resilience compared to the broader VC space<sup>4</sup>.

## The Golden Triangle

In the UK, the regions that encompass the Golden Triangle – between London, Oxford, and Cambridge – have world-leading anchor universities and biotech companies, the highest R&D expenditures, and a supportive funding environment for scaling spin-offs. For example, over the two decades to 2021, £7.5 billion was raised by spinouts from a small group of leading universities within this area. By the end of this period, these spinouts had a combined value of around £15 billion<sup>5</sup>.

1. Simply, a spinout is a business entity that has come from an established business or academic ecosystem, whereas a startup can be fully independent  
2. European Patent Office, October 2024  
3. "Patenting by European universities on the rise," epo.org, October 2024  
4. "Cambridge and Oxford lead UK cities for VC funding outside London," PitchBook; Spotlight on Spinouts, Beahurst; Royal Academy of Engineering, April 2024  
5. Various

### Investment opportunity with credit rating stability

Opportunities for investment in the sector include:

**Direct and indirect real estate:** such as university-linked housing (build-to-sell), student accommodation, life science or wet lab space, the delivery of teaching facilities, and related office and residential space in local markets.

**Venture capital:** between 2015-2024, UK university spinouts received £17 billion of equity investment, with over £6.8 billion in the last three years<sup>6</sup>. As of January 2025, there were 1,337 active spinouts in the UK, of which 55% were seed stage and 30% venture stage<sup>7</sup>. This has, in our view, created an increasingly attractive pipeline of later-stage scale-up companies that require funding.

**University credit:** universities are attractive credit counterparties given implicit government support. They frequently issue bonds which tend to attract strong demand, and which are on average rated between AA and AA-. This is significantly higher than the average investment-grade bond market rating of between A and BBB. Over 75% of bonds have seen either no change or an upgrade to the credit rating since issuance<sup>8</sup>. University bonds have also proved a good source of duration and long-term cashflows. The average maturity of current publicly traded university bonds is c.18 years<sup>9</sup>.

### DC schemes investing in UK spinouts

Many of our DC savers are already investing in private markets, including the opportunities outlined above, helping to kickstart growth in the UK economy. For example, part of our default Lifetime Advantage Fund invests in a student accommodation development in Edinburgh, and a cyber-security spinout based at Oxford University.

Another significant example is our £4 billion investment in partnership with Oxford University and Oxford City Council to deliver exemplary, sustainable developments that aim to help the university maintain its exceptional reputation for research and education. On track to open later in 2025, the Life and Mind Building is the largest building project<sup>10</sup> undertaken by Oxford University, and will significantly improve the way psychological and biological science is undertaken in Oxford, helping scientists to solve some of our major global challenges.

With the UK's universities among the best in the world, the spinout sector is a growing institutional asset class that can provide exposure to growth businesses such as healthcare, clean energy and advanced computing. With the creation of an associated ecosystem that can support a range of opportunities, this is an exciting time for pension schemes to invest in university spinouts.

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6. Spotlight on Spinouts, Beauhurst; Royal Academy of Engineering, April 2024  
7. Spotlight on Spinouts, Beauhurst; Royal Academy of Engineering, April 2024  
8. L&G analysis of Bloomberg data  
9. Bloomberg, May 2025  
10. Oxford University Development



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