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The evolution of Québec's private venture capital industry and sources of capital (2004-2023)

Written by Gilles Duruflé and Simon Pelletier

About

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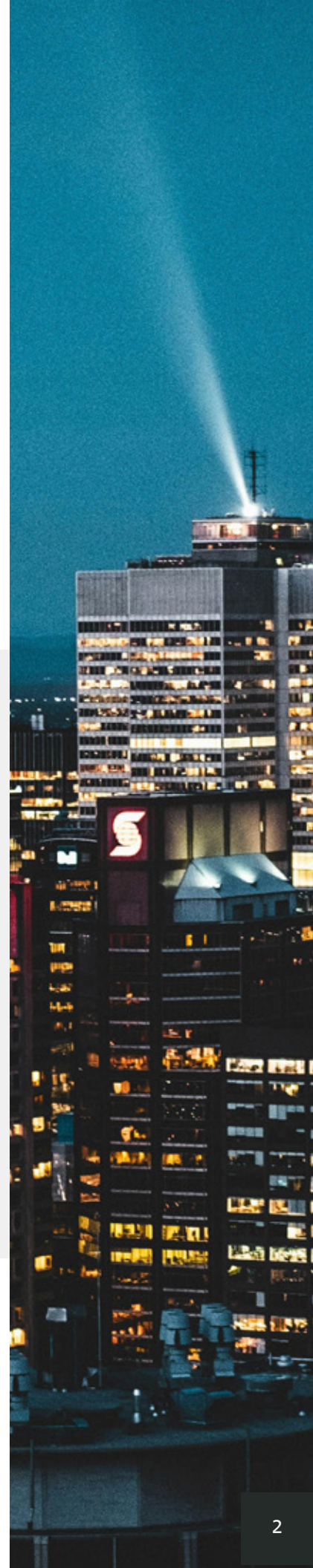


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Finally, we would like to thank the Ministère de l'Économie, de l'Innovation et de l'Énergie for its invaluable support to the Centre d'Expertise's endeavors.

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Previously, he was the Deputy Site Manager of the social performance team at the Nghi Son Refinery in Vietnam, where he led the team responsible for analyzing the social impacts of the project on affected populations and piloted the implementation of the stakeholder management CRM and data collection methodology. Before relocating abroad, Simon worked as a consultant at ÉEM and independently, assisting clients with various strategic issues and contributing to several social impact studies in Quebec, Ontario, and Africa. He also collaborated with several First Nations communities.

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Simon Pelletier is the Director of Business Intelligence at Réseau Capital since 2022. In this role, he is responsible for implementing the private capital Expertise Center, which aims to collectively enhance intelligence on investment capital in Quebec to support decision-making by all involved stakeholders. Simon has a total of 13 years of professional experience in database management, social impact analysis, and stakeholder relations.



Executive Summary

The venture capital industry in Québec began in the 90s, mainly on the initiative of the Québec's government (Invest Quebec, Innovatech, SGF), the Caisse de dépôt et placement du Québec (Sofinov, T2C2), tax-advantaged funds (FSTQ, Fondation), financial institutions (Desjardins, National Bank) and the federal government (BDC, CED).

In 2003, following the bursting of the technology bubble and the poor results recorded by public and para-public funds, it was decided to redirect efforts to support the development of a private capital industry capable of (i) adopting North American best practices (expertise and networks) and raising capital beyond public and para-public sources in Quebec and Canada, and (ii) meeting the needs of the entire financing chain.

Remarkably, these objectives have remained those of all players in the ecosystem, public, para-public and private, over the two decades since.

The purpose of this study is to analyze the results of these efforts and, where appropriate, to draw conclusions to further strengthen the venture capital ecosystem in Quebec .

The main results of the study are as follows:

Growth of the industry:

- From a situation where they were virtually non-existent, a growing number of independent private venture capital managers raised funds over the period (2004-2023). These increased from 4 in 2004 to 29 in 2023, and 7 of them have since become established managers.
- Total capital raised increased by a factor of 9. While small fund size has long been highlighted as an industry handicap, particularly in terms of tracking larger rounds and influencing exits, larger Quebec-based funds started appearing in the ecosystem from 2018, mainly by established managers.
- An analysis of fund demographics reveals a relatively balanced pyramid, with a growing (although still limited) number of managers becoming established managers capable of raising larger funds and building investment «platforms», and a relatively stable flow of new managers period after period.
- Successfully restarting this industry when North American circumstances were relatively unfavorable to venture capital (returns, fundraising) until 2013, is a real achievement.
- It should be considered that this positive development took place in a context of very strong growth and very positive returns for venture capital over the decade 2013-2022. The steep drop in average fund size in 2022 and, even more so, in 2023 indicates that the industry is currently facing more difficult times, particularly in terms of fundraising.



Diversification of capital raising sources

- Initially funded or supported at 70% by public source, Québec's private venture capital industry has increasingly diversified its sources of capital. Over the period 2019-2021, 60% of fundraising came from private sources (Québec, Canada, and abroad). However, this percentage fell to 52% in 2022-2023 due to cyclical downturn.
- The diversification of Limited partners (LP) is led by a still modest, but growing, number of established managers (4+ funds) who raise larger funds and rely much less on public and para-public sources
- However, the transition from public to private financing remains difficult for a significant number of managers, as shown by the bimodal distribution highlighted in the study.
- Although their relative weight is declining, the industry continues to benefit from substantial support from public and para-public funding sources. Their presence is particularly noticeable at the beginning of the financing chain (Fund 1). These public and para-public funding sources are also becoming increasingly important as the economic cycle turns and private fundraising becomes more difficult.

The sectorial analyses reveal greater maturity in the IT sector, a fragile life sciences sector, while the clean technology is an emerging sector.

Analyses by stage show that the realm of early-stage fund universe is the most mature. Activity in seed funds has been consistent over the past 10 years, but the sector remains fragile and highly dependent on public and para-public financing, with the exception of a few managers who finance themselves mainly from private sources. Later-stage funds reflect the growing maturity of the financing chain. They emerged after 2016 and still rely on a very small number of managers.

The interviews confirm the study's two main conclusions:

1. There has been a considerable progress over the past 20 years
2. The ecosystem has not matured and become fully independent yet, remaining highly dependent on public and para-public funding, and there's only a minority of established managers capable of financing themselves mainly from private Québec, Canadian and international sources

They provide interesting insights into the factors that contribute to industry maturation, to have a successful team, and the challenges that hinder them. All of which can be worked on (see full report for details). The three important areas that stand out are:

- Internationalization
- Talent, expertise and networks of the management team
- The entrepreneurial dimension of the management team

There are two specific suggestions that was mentioned:

- Set up a working group to strengthen the life sciences ecosystem
- Coaching and mentoring new managers, particularly for the seed and early-stage focused managers



In addition to the excessive weight of the public sector, the report identified two major shortcomings in the Quebec's financing chain:

- "A first for companies in seed stage or in early-stage
- A second for companies requiring larger rounds of financing (over \$20 million), as they reach the expansion stage, which generally coincides with product commercialization." p.6 (Adaptation)

Following this report, public and para-public sources of capital withdrew for the most part from direct venture capital investments and opted for indirect investments, with the aim of gradually rebuilding a private venture capital industry capable of (i) adopting North American best practices (expertise and relationships network) and raising capital beyond public and para-public sources in Québec and Canada, and (ii) meeting the needs of the entire financing chain.

Since 2004, the Québec government (mainly through Invest Québec), tax-advantaged funds, CDPQ and the federal government (BDC, VCAP/VCCI) have all worked hard to achieve this objective.

In 2024, twenty years later, where do we stand? That's the question this study seeks to answer:

- How has the ecosystem of Quebec-based private venture capital managers and funds evolved?
- To what extent does it cover the entire financing chain?
- How have its sources of capital evolved?
- How far have we progressed towards an industry capable of financing itself beyond Quebec and Canadian public and para-public sources of capital?



2. Methodology

a) Population of managers and funds active in Québec

Initially, based on information available in the Réseau Capital directory, CVCA and PitchBook databases, and supplemented by information collected directly from partners, the team counted:

- independent private management VC firms headquartered in Québec
- funds managed by these firms and closed since 2004, specifying their closing date and size in the currency of the fund's headquarters³.

These funds were then categorised by sector and stage, using the methodology and terminology explained in Appendix 1.

b) Sources of capital

The source of capital raised by these funds is generally confidential and not readily available in public databases. To access this information, the research team operated on a confidential basis, under the supervision of the Centre expertise's advisory committee and in collaboration with research partners who are investors in the majority of the funds under review. This approach enabled the detailed breakdown of capital raised by major categories of Limited partners (LP), with the assurance that only aggregated data would be disclosed.

The terminology used for investor categories is detailed in Appendix 1.

Where necessary, reconciliation efforts were performed by the Centre d'expertise team. In some instances, direct consultations with fund managers were conducted to verify data or obtain missing information. All approached managers consented to participate, and we extend our gratitude to them for their cooperation.



³ These currencies were then converted into Canadian dollars using the exchange rate.



3. Quebec-based fund managers

The following paragraphs focus on Quebec-based independent private managers.

The analysis is carried out along the two axes outlined below:

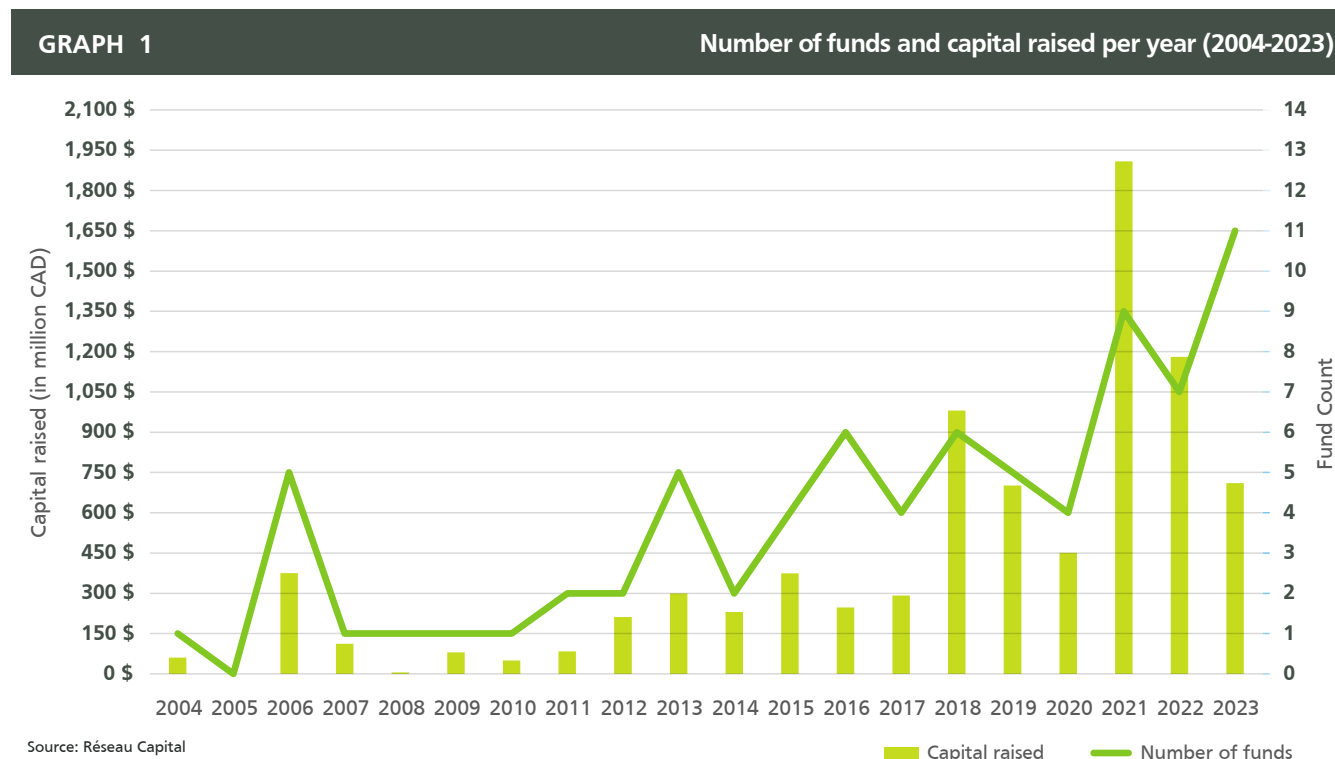
- Number of managers, number of funds, and capital raised
- Evolution of sources of capital by category of the major Limited partners (LP)

Given the still relatively small number of funds raised and managers, the data show some significant year-over-year variations. We have therefore grouped them into 3-year periods, apart from the last period, 2022-2023, which covers only two years, to smooth out trends.

The results are presented first for the industry as a whole, all sectors and all stages combined, then by sector (IT, Life Sciences and CleanTech) and then by stage (seed, early-stage, later-stage), all sectors combined. The order of exposure is the same for each party. However, the reduced sample size for sectors or stages means that certain periods must be grouped together to maintain confidentiality and to be able to identify certain trends.

3.1. Analysis across all sectors and stages: trends over the 2004-2022 period

a) Number of managers, fund count and capital raised





Graph 1 shows the annual trend in the number of independent venture capital funds closed over the period 2004-2023 and the capital raised by these funds. We can see that the number of funds increases from 2013 onwards, and the capital raised accelerates from 2017 onwards, with a cyclical downturn in 2022 and 2023.

A total of 77 independent private funds were closed between 2004 and 2023, raising a total of \$8.35 billion.

A series of indicators illustrate the industry's growth and maturation over the entire period:

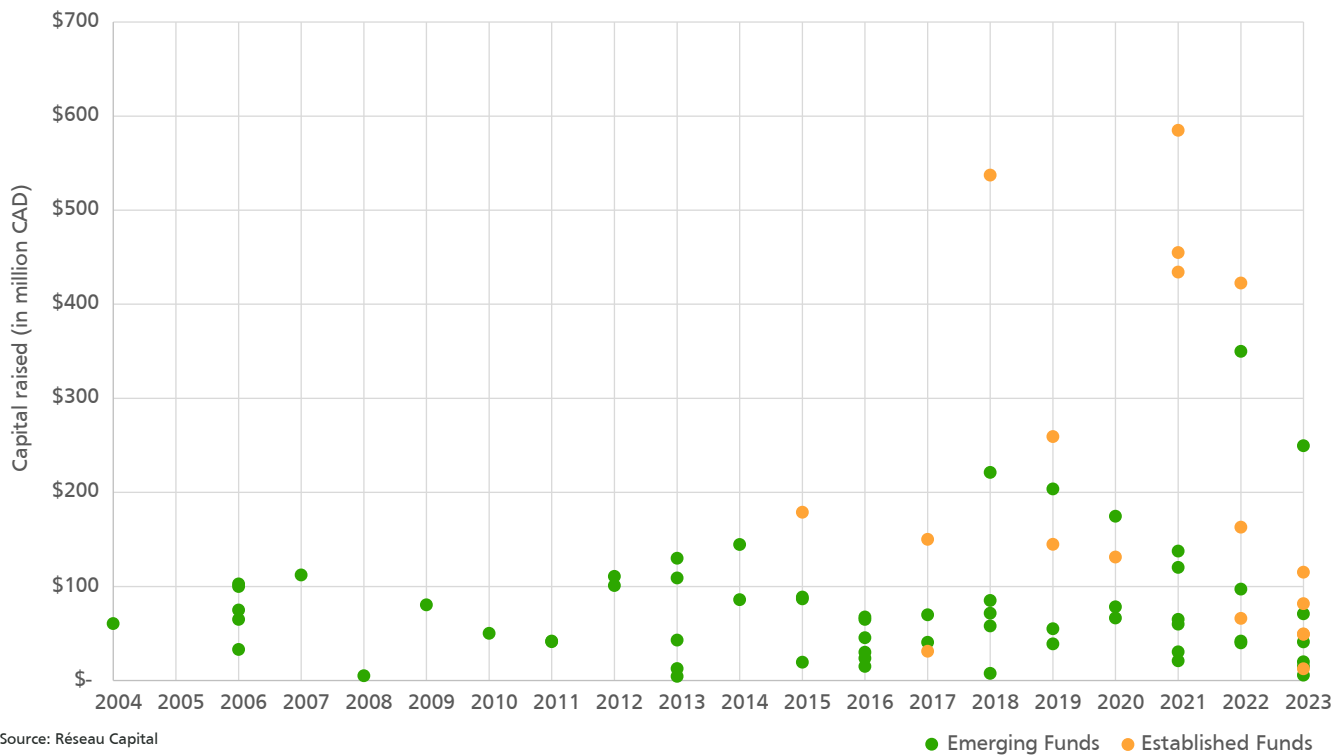
- The number of funds closed rose from an average of 1.6 per year over the period 2004-2012 to 9 per year over the period 2022-2023, the average annual capital raised from \$109 million in 2004-2012 to \$1.02 billion in 2019-2021 and \$946 million in 2021-2022, a multiple close to 9 (Table 1).
- The average fund size raised surged from \$70 million for the 2004-2012 period to \$170 million for the 2019-2021 period, before sliding to \$105 million in 2022-2023 (Table 1)
- The number of active private managers headquartered in Quebec rose from 4 at the beginning of 2004 to 29 by the end of 2023 (Table 1)
- Whereas until 2015, all funds raised were considered «emerging» funds, i.e. first, second or third funds. Between 2015 and 2023, 18 «established» funds (4+ funds) were raised, and by the end of 2023, Quebec had 7 established managers (having raised 4+ funds) (Table 2 et Graph 2).
- The average size of «established» funds was \$323 million over the 2019-2021 period and \$120 million in 2022-2023, compared with \$88 million for emerging funds.
- Whereas until 2018 all funds raised were under \$200 million, and the majority of them under \$100 million, 10 funds over \$200 million and 5 funds over \$400 million were raised between 2018 and 2023, the majority by established managers (Graph 2)

CURRENT \$ QUEBEC	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	AVERAGE	MEDIAN	NO. OF ACTIVE MANAGERS AT END OF PERIOD
2004-2006	6	436 \$	73 \$	70 \$	6
2007-2009	3	198 \$	66 \$	80 \$	9
2010-2012	5	345 \$	69 \$	50 \$	10
2013-2015	11	904 \$	82 \$	87 \$	15
2016-2018	16	1,519 \$	95 \$	62 \$	20
2019-2021	18	3,061 \$	170 \$	126 \$	24
2022-2023	18	1,891 \$	105 \$	58 \$	29
Total	77	8,354 \$			
2004-2012	14	979 \$	70 \$		10



CURRENT \$ QUEBEC	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	AVERAGE	MEDIAN	NO. OF ACTIVE MANAGERS AT END OF PERIOD
2004-2006	0	- \$	- \$	- \$	0
2007-2009	0	- \$	- \$	- \$	0
2010-2012	0	- \$	- \$	- \$	0
2013-2015	1	179 \$	179 \$	101 \$	1
2016-2018	3	718 \$	239 \$	150 \$	3
2019-2021	6	2 010 \$	335 \$	423 \$	5
2022-2023	8	960 \$	120 \$	41 \$	7
Total	18	3 867 \$			

GRAPH 2 Distribution of funds raised by year and fund size



Source: Réseau Capital

Table 3 summarizes the industry's growing maturity:

- With the passage of time, an increasing number of 3, 4 and + funds have been raised.
- At the same time, the flow of funds 1 remained sustained throughout the period, ensuring the growth and renewal of the number of active managers.

In short, from a situation where they were virtually non-existent, a growing number of independent managers raised funds over the period. The numbers increased from 4 in 2004 to 29 managers in 2023, and 7 of them have become established managers.

Total capital raised grew to nine times that amount, and while small fund size has long been seen as a handicap for the industry, particularly in terms of following larger rounds and influencing exits, larger funds were raised after 2018, mainly by established managers.



TABLE 3

Number of funds raised by fund number and period

	FUND NUMBER					TOTAL
	1	2	3	4+		
2004-2006	4	1	1			6
2007-2009	2	1				3
2010-2012	1	3	1			5
2013-2015	6	1	3	1		11
2016-2018	6	5	2	3		16
2019-2021	4	3	5	6		18
2022-2023	5	4	1	8		18
TOTAL	28	18	13	18		77

An analysis of fund demographics (Table 3) reveals a relatively balanced pyramid, with a growing (although still limited) number of managers becoming established managers capable of raising larger funds and building investment «platforms», and a relatively stable flow of new managers period after period.

It should be considered that this positive development took place in a context of strong growth and positive returns for the venture capital industry over the decade 2013-2022. The steep drop in average fund size in 2022 and, even more so, in 2023 indicates that the industry is currently facing more difficult times, particularly in terms of fundraising.

These considerations raise the question: has Québec's growth over the decade from 2013 to 2022 been primarily driven by market expansion? How does the evolution of this industry compare with that in other North American jurisdictions?

It is difficult to provide a statistically rigorous answer to this question, as this study is based on the most exhaustive census possible of independent Quebec-based private funds. Such precise data are not available for the other provinces.

A summary analysis based on the PitchBook database shows that over the 2014-2022 expansion period, Quebec raised a relatively smaller number of funds than the other two provinces (Ontario and British-Columbia), but these funds were on average larger in size, so that the total capital raised is comparable when considering the relative size of the economies (see [Appendix 2](#)).

However, unlike Ontario, independent private managers were virtually non-existent in Quebec in the early 2000s. Successfully restarting this industry when, North American circumstances were relatively unfavorable to venture capital (returns, fundraising) until 2013 is a real achievement.





b) Sources of capital

We obtained the distribution of funds raised by category of Limited partners (LP) for 73 of the 77 funds raised between 2004-2023, representing 94% of the fund count over the entire period.

Graph 3, Graph 4 along with Table 4 show the results of this distribution by major categories of Limited partners (LP).

The categories of Limited partners (LP) have been grouped as follows:

- Para-public QC
 - IQ
 - Tax-advantaged funds
 - Teralys for the funds preceding VCAP et VCCI
 - CDPQ
- Para-publics ROC (Rest of Canada):
 - Federal agencies: BDC, EDC
 - Funds from the other provinces
- VCAP/VCCI: Harbourvest, Kensington, Northleaf et Teralys excluding the funds pre-VCAP
- Private QC
- Private ROC (Rest of Canada)
- Private international

GRAPH 3 Average annual capital raised by period and by category of Limited partners (LP)

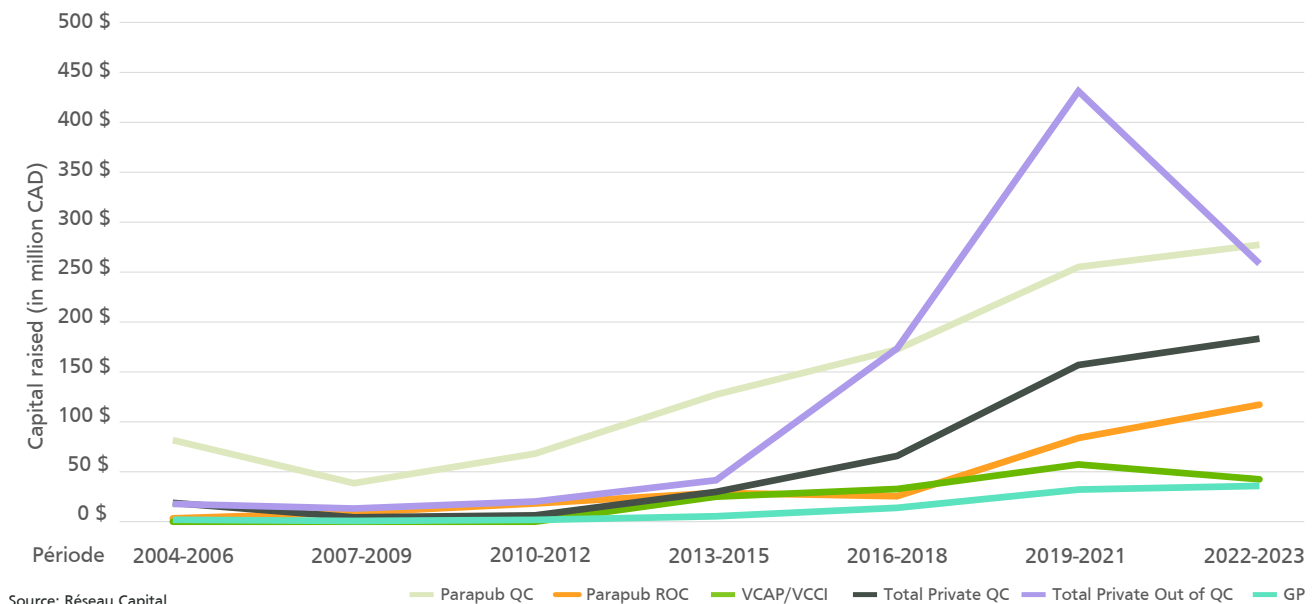


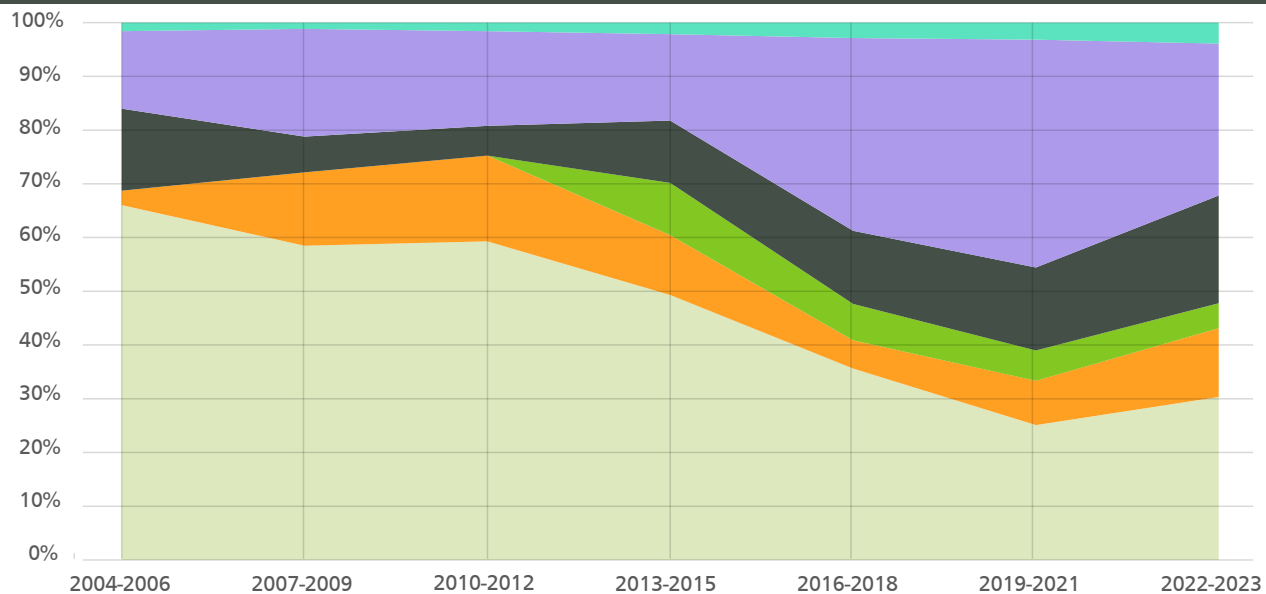
TABLE 4 Average annual capital raised by period and by category of Limited partners (LP)

	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2006	5	371 \$	66%	3%	0%	15%	14%	2%	100%
2007-2009	3	198 \$	58%	14%	0%	7%	20%	1%	100%
2010-2012	5	345 \$	59%	16%	0%	6%	18%	2%	100%
2013-2015	10	774 \$	49%	11%	10%	12%	16%	2%	100%
2016-2018	15	1 451 \$	36%	5%	7%	14%	36%	3%	100%
2019-2021	18	3 061 \$	25%	8%	6%	15%	42%	3%	100%
2022-2023	17	1 820 \$	30%	13%	5%	20%	28%	4%	100%



GRAPH 4

Percentage of funds raised by Limited partners (LP) categories and period



Source: Réseau Capital

Parapub QC Parapub ROC VCAP/VCCI Total Private QC Total Private Out of QC GP

The following conclusions can be drawn from Graphs 3 and 4 and Table 4:

- In absolute terms, all categories of Limited partners (LP) have experienced sustained growth up to 2019-2021. ([Graph 3](#)).
 - The growth is particularly strong for private venture capital investors outside of Quebec
 - It was also sustained over the entire period for the Para-public QC sector.
 - The growth of Private QC capital allocator category accelerated from 2013 and that of the Para-public ROC from 2016.
- 2022-2023 marks a major turnaround in the cycle:
 - The contribution of Private Out of QC allocators falls steeply
 - VCAP/VCCI allocations also decline
 - The growth of the other categories (Para-public QC, Para-public ROC, Private QC and GPs) is consistent, but slowing down
- In relative terms, the share of provincial, federal public and para-public sources, including VCAP/VCCI funds which include an allocation from the federal government, fell significantly from 75% during the 2010-2012 period to 39% over the 2019-2021 period, before rising again to 48% in 2022-2023, underlining the relative withdrawal of the private sector with the cycle downturn, while the para-public sector remained highly committed. Concurrently, the private sector's share has increased from 25% in 2010-2012 to 61% in 2019-2021 and 52% in 2022-2023 (Table 4 and Graph 4).
- International private investors, who were non-existent at the beginning of the period, represent 28% for the 2019-2021 period before dropping to 11% in 2022-2023.
- The share of GPs is also growing, from 2% to 4%.

As might be expected, the share of private financing increases with fund number: over the entire 2004-2023 period, if we add together the categories Private QC, Private Out of QC and GP, the share of private financing is 34% for funds 1, 41% for funds 2, 51% for funds 3 and 62% for funds 4 and above (Table 5). Established funds and managers are in better position to diversify their sources of capital and rely less on public and para-public funding.



We also note that the relative share of VCCI funds increases with the number of funds. Only 1% for fund 1, rising to 4% for fund 3 and 9% for fund 4+, indicating a concentration of VCCI allocations in established funds rather than emerging funds.

TABLE 5 Distribution of funds raised by category of Limited partners (LP) and fund number

	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
1	53%	11%	1%	15%	16%	3%	100%
2	44%	12%	2%	10%	29%	2%	100%
3	36%	9%	4%	17%	33%	1%	100%
4+	23%	7%	9%	17%	41%	4%	100%



If we look at the evolution by sub-period (Table 6), Fund 1 continues to rely mainly on public and para-public funding, even if the percentage of private funding tends to increase from 2013 onwards. The following fund numbers have an increasing share of private financing over time, which would seem to suggest that access to private financing is facilitated not only by the maturation of the managers (fund numbers) but also by the maturing of the industry with the passage of time. However, the 2022-2023 period shows a decline in investment from the Quebec-based private Limited partners (LP) for funds 2, 3, 4 and above, reflecting the difficulty of raising funds from the private sector as the economic cycle turns, while the public sector strengthens its relative share.

TABLE 6 Share of private financing by fund number and period

	TOTAL			
	Fund 1	Fund 2	Fund 3	Fund 4+
2004-2006	26%	22%	46%	
2007-2009	20%	32%		
2010-2012	18%	23%	26%	
2013-2015	38%	1%	35%	27%
2016-2018	37%	66%	85%	41%
2019-2021	14%	43%	57%	67%
2022-2023	44%	38%	50%	55%

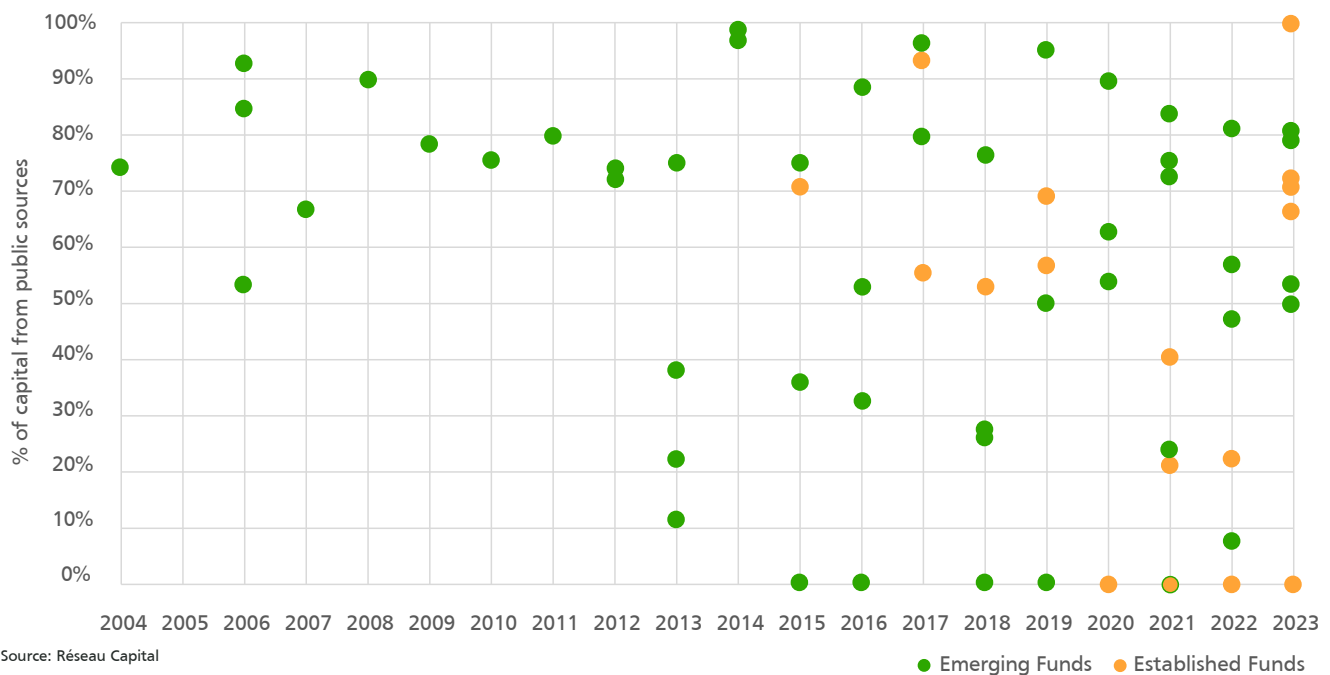


Graph 5 shows the distribution of funds by year of closing and by the proportion of public and para-public funding in their capitalization. It reveals the following:

- Until 2013, the majority of all funds are financed by public and para-public funds, often more than 70%
- This remains the case for most of the funds until 2023.
- From 2013 onwards, some funds are financed mainly by the private sector, and from 2015 onwards, some funds are financed entirely by the private sector.
- Distribution is largely bimodal, i.e. on the one hand we have funds and managers financed mainly or predominantly by the public and para-public sectors, and on the other hand funds that are mainly privately financed. ([Graph 6](#))
- In 2023, public-sector financing prevailed, once again highlighting the difficulties in raising funds from the private sector following the cycle downturn.

GRAPH 5

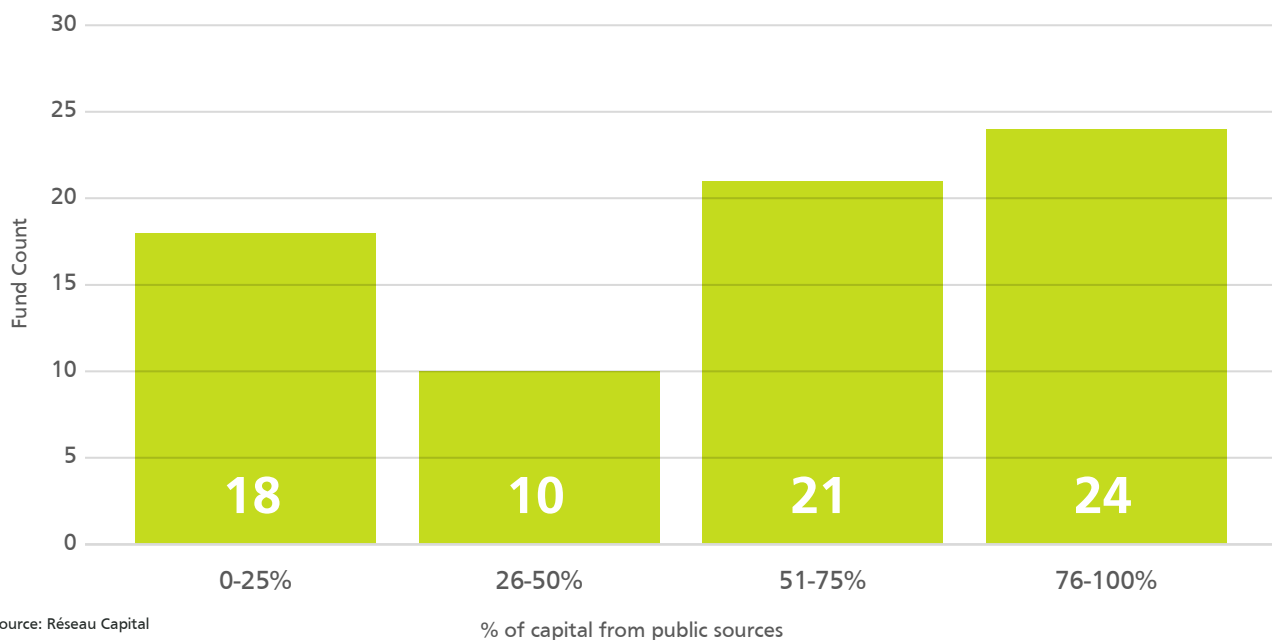
Distribution of funds by year of closing and % of public funding





GRAPH 6

Distribution of funds according to public funding (2004-2023)



Source: Réseau Capital

In summary, the private venture capital industry in Quebec experienced strong growth between 2004 and 2023 in terms of the number of active managers, the number, and the amounts of capital raised.

Initially 70% financed by public or publicly backed sources, the Quebec financing chain has increasingly diversified its sources of capital. Over the 2019-2021 period, 60% of its funding comes from private Quebec, Canadian and international sources. However, this share will fall to 52% in 2022-2023 due to the downturn in the business cycle.

These two objectives (growth of the private industry and diversification of its sources of capital) were two of the main goals set out in the Brunet Report.

This diversification of capital sources is led by a still modest but growing number of established managers (4+ funds), who are raising larger funds and relying much less on public and para-public sources.

From 2019 to 2021, 67% of funds raised by 4 and + funds came from private sources of capital. However, over the period 2022-2023, this percentage has fallen to 55%. Despite this decrease due to the cycle turnaround, these figures demonstrate that their managers have developed the ability to raise funds independently.

However, the transition from public to private financing remains difficult for a significant number of managers, as demonstrated by the bimodal distribution highlighted above.

Although their relative weight is declining, the industry continues to benefit from substantial support from public and para-public sources of capital. Their presence is particularly pronounced at the beginning of the financing chain (Fund 1). It is also becoming increasingly important as the cycle turns and private fundraising becomes more difficult.



3.2. Analyze per sectors

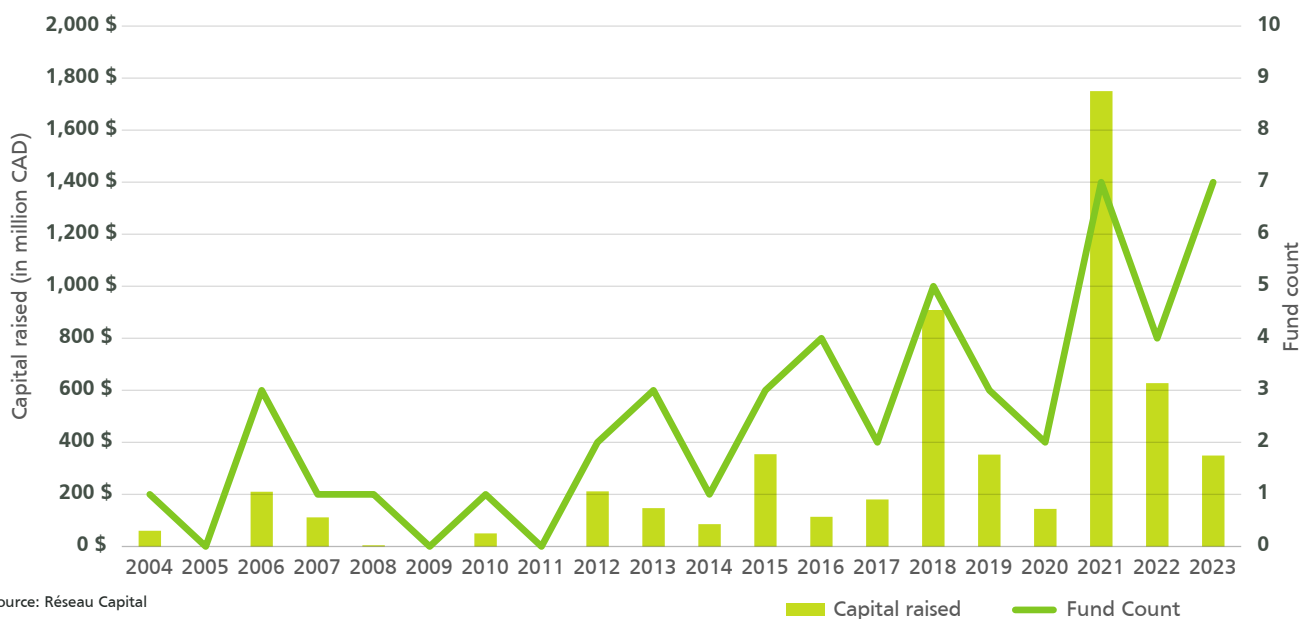


3.2.1 Information technology sector (ICT)

a) Number of managers, fund count and capital raised

GRAPH 7

ICT: Number of funds and capital raised per year (2004-2023)



Source: Réseau Capital

Graph 5 shows the annual trend in the number of private funds and the capital raised by these funds over the period 2004-2023. The number of funds closed, and the capital raised accelerate between 2012 and 2021. Fund creation remains strong in 2022 and 2023. Alternatively, capital raised, and average fund size are in steep decline.

As Table 7 illustrates, 50 independent private funds have been closed between 2004 and 2023, raising a total of \$5.67 billion, representing 65% and 68% of the total for all sectors combined.



Regarding the industry in its entirety, a series of indicators illustrate the growth and maturation of the ICT sector over the entire period, but also the turnaround in fundraising in 2022-2023, not in terms of number of funds but in capital raised:

- The number of closed funds increased significantly, rising from an average of 1 per year during the period 2004-2012 to more than 4 per year from 2016 to 2023. Similarly, the average annual capital raised surged from \$72 million in 2004-2012 to \$749 million in 2019-2021, representing a tenfold increase. However, this figure subsequently decreased to \$439 million in 2022-2023. (Table 7).
- The average size of funds raised surged from \$72 million for the 2004-2012 period to \$187 million for the 2019-2021 period before pulling back to \$89 million in 2022-2023 (Table 7).
- The number of active Quebec-based private managers rose from 3 at the beginning of 2004 to 18 by the end of 2023 (Table 7).
- Until 2015, all raised funds were emerging funds, specifically their first, second, or third fund. However, between 2015 and 2023, 12 established funds (funds 4 and +) were closed, representing 64% of the total capital raised during this period. By the end of 2023, the ICT sector had 5 established managers (raised 4 or +funds) (Table 7).
- Until 2018, all raised funds were below \$200 million, with the majority under \$100 million. Since then, 7 funds exceeding \$200 million have been raised, including 6 by established managers and 5 of which surpassed \$400 million ([Graph 6](#)).

ICT	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	NO. OF NEW FUNDS ÉMERGENTS (1-3)	NO. OF ACTIVE MANAGERS AT END OF PERIOD	NO. OF ACTIVE MANAGERS AT END OF PERIOD	CAPITAL RAISED BY 4 AND + FUNDS
2004-2006	4	271 \$	4	4	0	- \$
2007-2009	2	117 \$	2	6	0	- \$
2010-2012	3	262 \$	3	6	0	- \$
2013-2015	7	588 \$	6	10	1	179 \$
2016-2018	11	1 204 \$	8	13	2	718 \$
2019-2021	12	2 248 \$	8	14	3	1 734 \$
2022-2023	11	977 \$	7	18	5	685 \$
Total	50	5 668 \$	38			3 316,47 \$
2004-2012	9	650 \$	72 \$	6	0	- \$



GRAPH 8

ICT: Distribution of funds raised by year and fund size

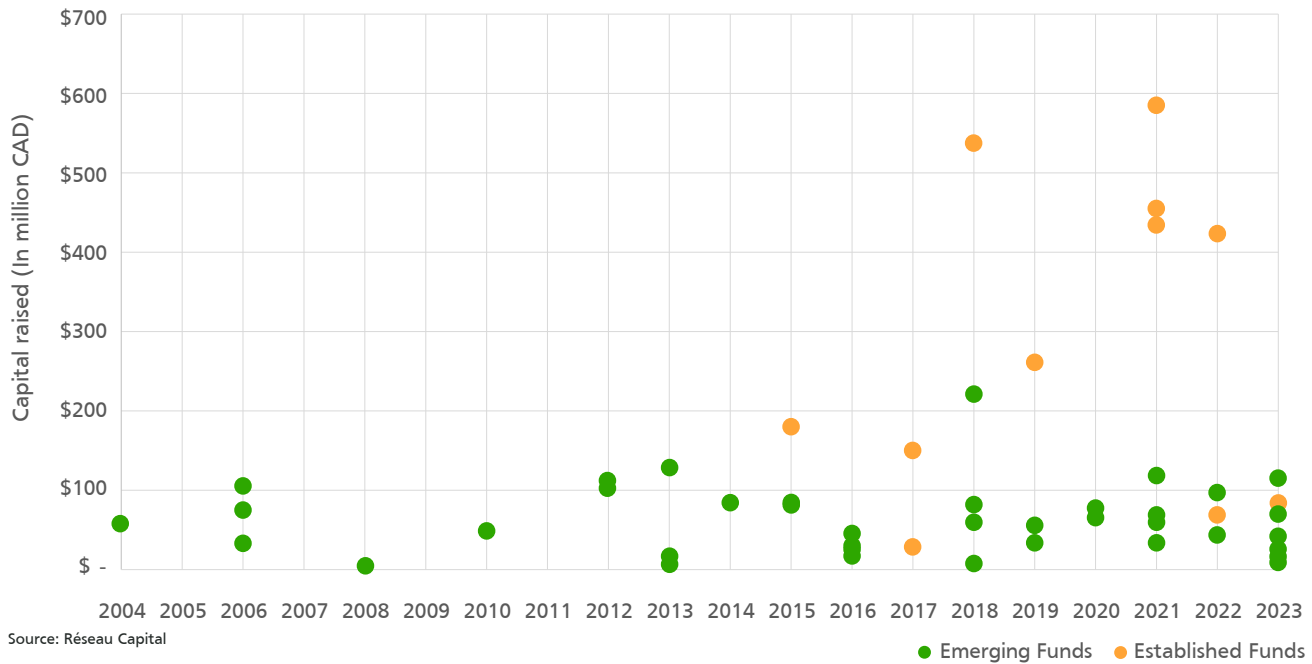


Table 8 summarizes the growing consolidation of Quebec-based private managers investing in ICT.

The conclusions that emerge are similar to those for the industry as a whole:

- With the passage of time, an increasing number of 3, 4 and + funds have been raised.
- In parallel, the count of funds 1 remained sustained throughout the period, ensuring the growth and renewal of the number of active managers.

TABLE 8

ICT : Number of funds raised by fund number and period

ICT	FUND NUMBER				TOTAL
	1	2	3	4+	
2004-2006	2	1	1		4
2007-2009	1	1			2
2010-2012		2	1		3
2013-2015	5		1	1	7
2016-2018	4	3	1	3	11
2019-2021	2	2	4	4	12
2022-2023	3	3	1	4	11
TOTAL	17	12	9	12	50

The overall conclusions that emerge from the ICT sector analysis are also very similar to those of the sector as a whole. This is to be expected, given that this sector represents over 65% of the industry. As we shall see, the same cannot be said of the life sciences and CleanTech sectors. It should also be noted that the decline in the size of funds raised in 2022-2023 is much more marked in ICT than in other sectors.



Summary:

The total capital raised increased tenfold during the period from 2019 to 2022. While the modest fund sizes have been identified as a significant industry challenge, particularly in terms of executing larger financing rounds and exerting influence over exits, larger funds were secured post-2018, predominantly by established managers.

An analysis of fund demographics reveals a relatively balanced structure, with a growing yet still limited number of managers evolving into established managers capable of raising substantial funds and constructing investment platforms. Concurrently, there has been a consistent influx of new managers emerging over successive periods.

Nevertheless, the contraction in fund sizes raised became markedly evident in 2022, with an even more pronounced decline in 2023. This raises the question: Is this merely a cyclical phenomenon, or does it indicate a deceleration in the industry's maturation and its capacity to secure larger funds?

As discussed in the preceding section and considering that independent private managers were virtually nonexistent in Ontario at the beginning of the 2000s, the successful revival of this sector, despite the relatively unfavourable conditions for venture capital in North America (in terms of returns and fundraising) until 2013, stands as a remarkable accomplishment.

b) Sources of capital

We obtained a distribution of funds raised by category of Limited partners (LP) for 48 of the 50 ICT funds raised between 2004-2023, representing 96% of the fund count. The classification of Limited partners (LP) categories aligns consistently with the broader industry's categorization framework.

Graphs 9 and 10, along with Table 9 yield the following insights:

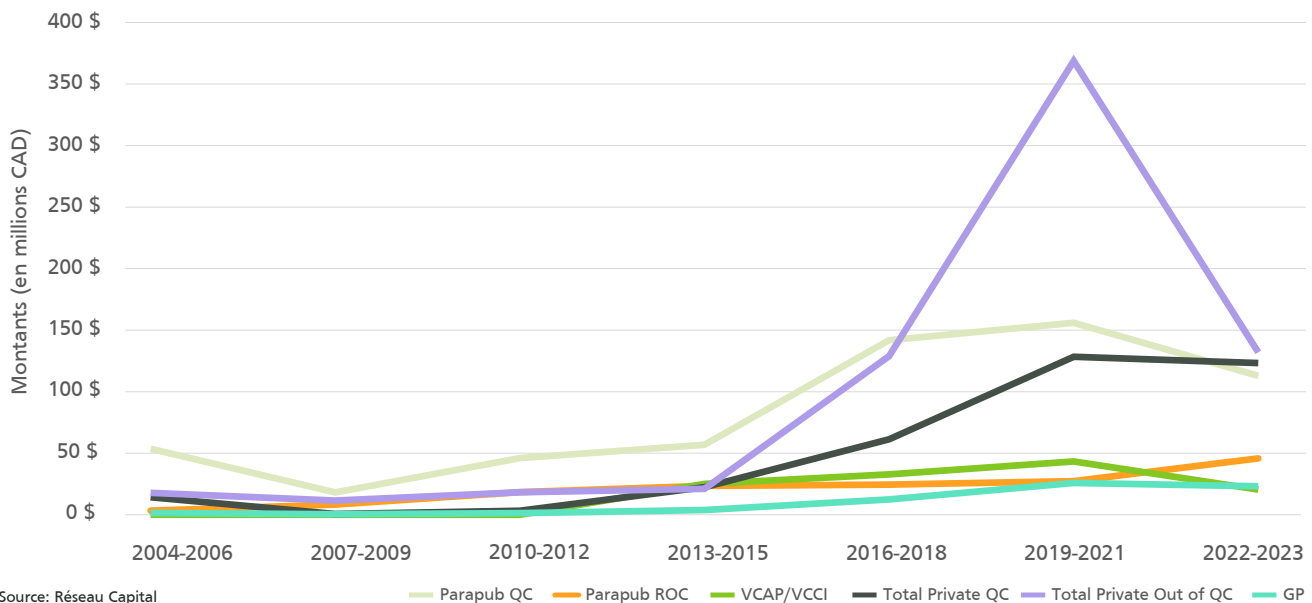
- In absolute amounts, all categories have grown up to 2019-2021 ([Graph 9](#)).
 - The biggest increases were recorded by private investors based outside of Quebec, Quebec para-public investors and Quebec-based private investors.
- 2022 and even more so 2023 mark a turnaround:
 - The drop is particularly steep for private investors that are based outside of Quebec
 - The Quebec para-public investors recorded a slight decline. VCAP/VCCI also declines.
 - Private QC and, even more so, para-public ROC are holding up better
- The relative proportions depicted in Table 9 and Graph 10 reveal a significant decrease in the share of provincial and federal public and para-public sources, including VCAP/VCCI funds of funds which receive allocations from the federal government. The proportion dropped from 68% during the 2004-2012 period to 31% in the 2019-2021 period, before rebounding to 39% in 2022-2023. This trend underscores a marked decline in private financing and highlights the greater resilience of para-public financing during economic downturns ([Graph 8](#)):
 - Para-public QC has risen from 21% in 2019-2021 to 25% in 2022-2023 and para-public ROC from 4% to 10%
 - The share of private Limited partners (LP) (Total private QC, Total private Out of QC and GP contribution) rose



from 32% in 2004-2012 to 69% in 2019-2021, before falling back to 61% in 2022-2023. For the last two periods, the private share is higher for ICT than for all sectors combined (61% and 52% respectively).

- International private investors, who were non-existent at the beginning of the period, represent 32% for the 2019-2021 period before dropping to 6% in 2022-2023.
- Over the period, the share of GPs rose from 1% to 5%.

GRAPH 9

ICT : Average annual⁴ capital raised by period and by category of Limited partners (LP)

Source: Réseau Capital

TABLE 9

ICT : Distribution of funds raised by category of Limited partners (LP) and by period

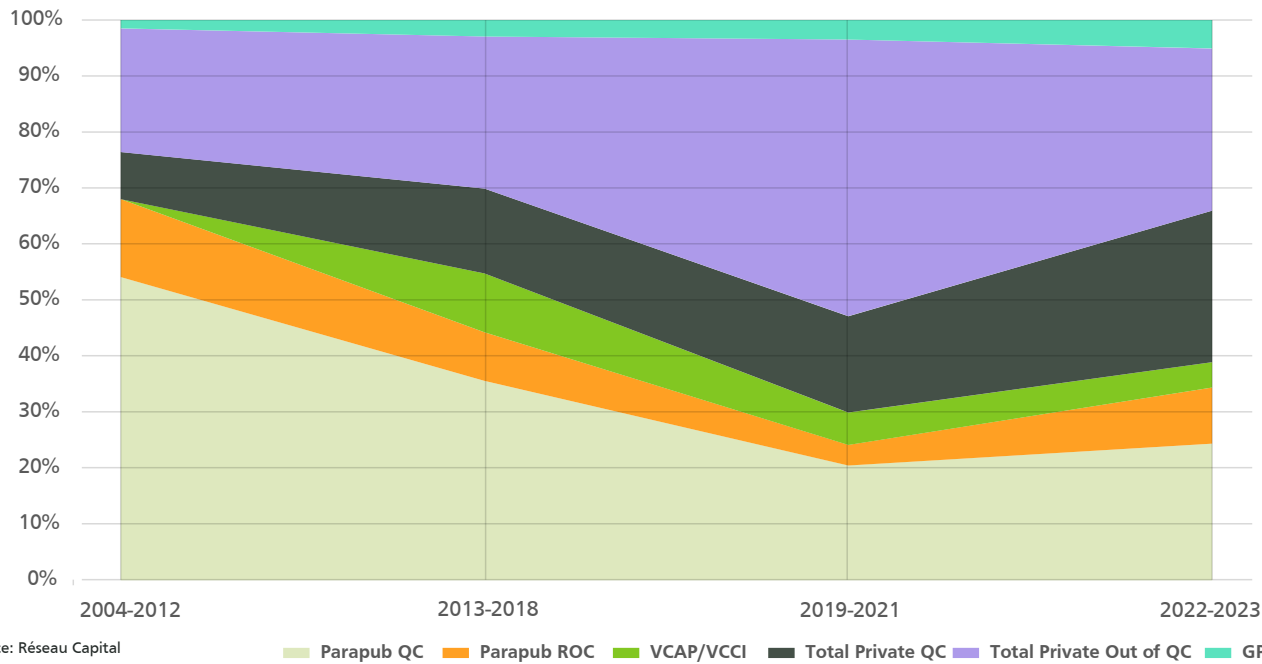
	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2012	9	650 \$	54%	14%	0%	8%	22%	2%	100%
2013-2018	17	1 662 \$	36%	9%	10%	15%	27%	3%	100%
2019-2021	12	2 248 \$	21%	4%	6%	17%	49%	3%	100%
2022-2023	10	906 \$	25%	10%	4%	27%	29%	5%	100%

⁴The annual series of capital raised is subject to considerable inter-annual variations, which is why we have chosen to represent the averages by period to make the Graph easier to understand.



GRAPH 10

ICT : Percentage of funds raised by Limited partners (LP) categories and period



Source: Réseau Capital

The share of private financing increases with fund number (Table 10): over the whole period, it is 38% for fund 1, 53% for fund 2, 55% for fund 3 and 60% for established funds (4 and up).

TABLE 10

ICT : Distribution of funds raised by category of Limited partners (LP) and fund number

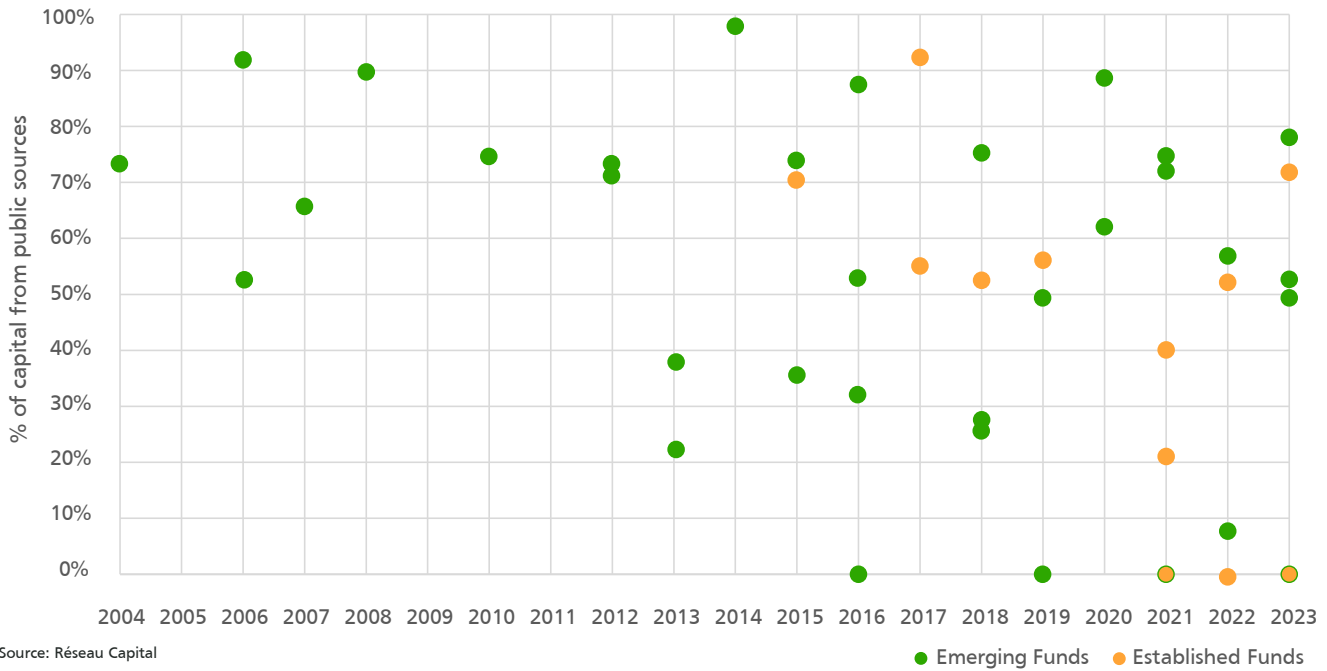
TI							
	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
1	56%	5%	1%	13%	22%	3%	100%
2	38%	9%	0%	13%	38%	2%	100%
3	30%	11%	4%	22%	32%	1%	100%
4 et +	22%	7%	9%	18%	39%	4%	100%

An analysis of the fund distribution based on the proportion of public funding, as illustrated in Graphs 11 and 12, reveals a scenario similar to that observed across all sectors: a distinct polarization, with a majority of funds heavily reliant on public funding and a minority predominantly financed by the private sector, resulting in a bimodal distribution. However, this polarization is less pronounced within the ICT sector compared to other sectors.



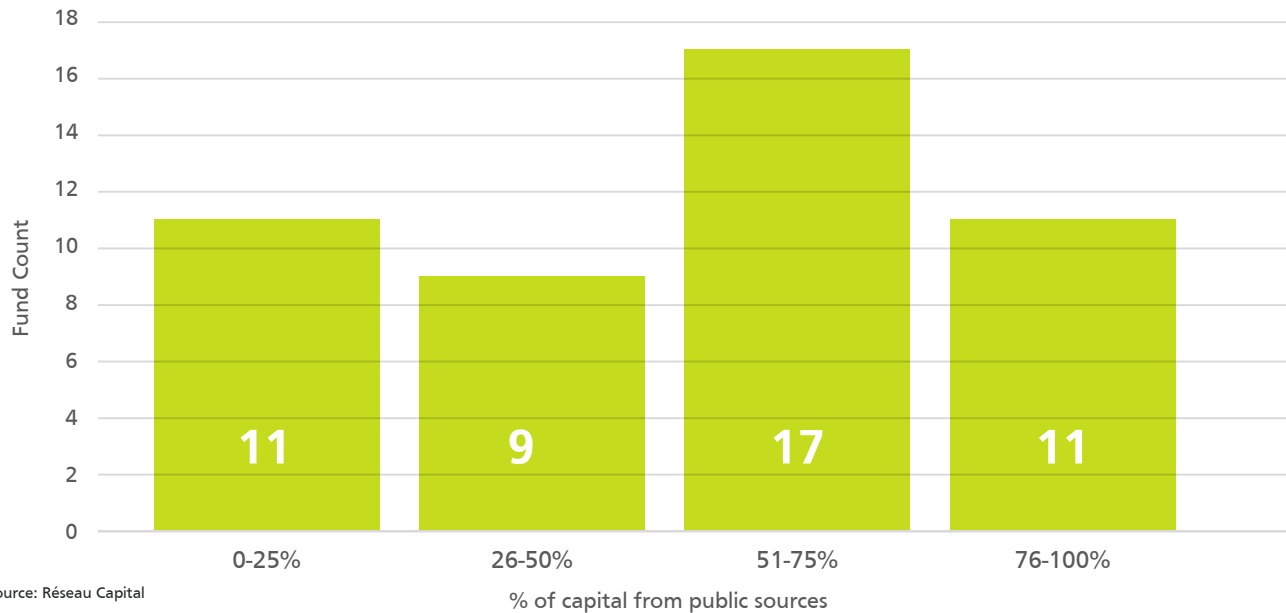
GRAPH 11

ICT : Distribution of funds by year of closing and % of public funding



GRAPH 12

ICT : Distribution of funds by public funding share (2004-2023)



In summary, similar to the broader industry, the ICT sector has experienced robust growth from 2004 to 2023 in terms of the number of active managers, fund count, and capital raised, while its capital sources have progressively diversified.

This diversification is spearheaded by a modest yet increasing number of established managers (those with four or more funds) who are raising larger funds and becoming less dependent on public and para-public sources. However, with only 5 established managers, the sector remains relatively fragile, and the maturation process is still ongoing.



The maturation (number of managers, fund sizes, and capital source diversification) is more pronounced in the ICT sector compared to other sectors analyzed.

Despite the declining relative weight of public and para-public funding, the industry continues to receive substantial and growing support in absolute terms from these sources, particularly at the initial stages of the financing chain (Fund 1).

The period 2022-2023 represents a major turnaround in the dynamics of fundraising, which is more pronounced in ICT than in other sectors. While growth in private funding had been stronger in preceding periods, the recent downturn is more severe, illustrated by an increased share of public and para-public financing.

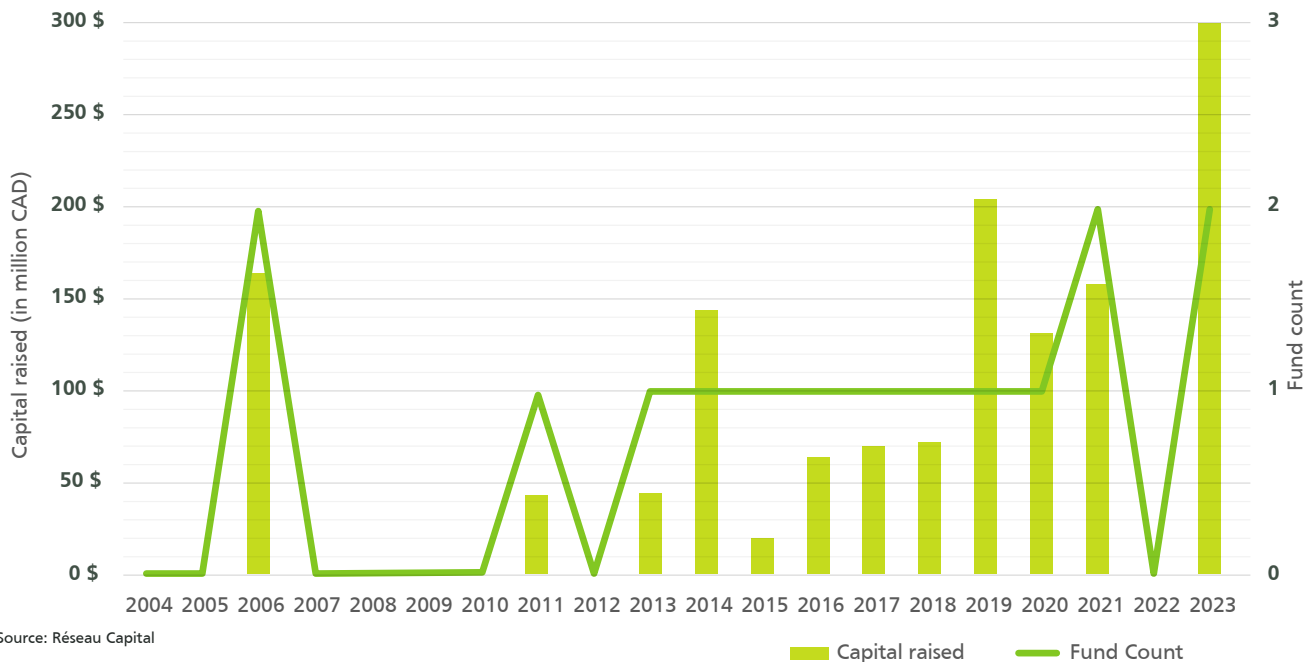


3.2.2 Life Sciences Sector

a) Number of managers, fund count and capital raised

GRAPH 13

Life sciences: Number of funds and capital raised per year (2004-2023)



Source: Réseau Capital



Graph 13 illustrates the annual trend in the number of independent private funds and the capital raised by these funds from 2004 to 2023. The number of funds closed is significantly lower compared to the ICT sector but has shown an acceleration from 2013 onwards. Similarly, while the capital raised is also lower, it does not show the same pronounced cyclical reversal post-2021 as observed in the ICT sector.

Between 2004 and 2023, a total of 15 independent private funds were closed, accumulating \$1.41 billion in capital, representing respectively 19% and 17% of the aggregate across all sectors.

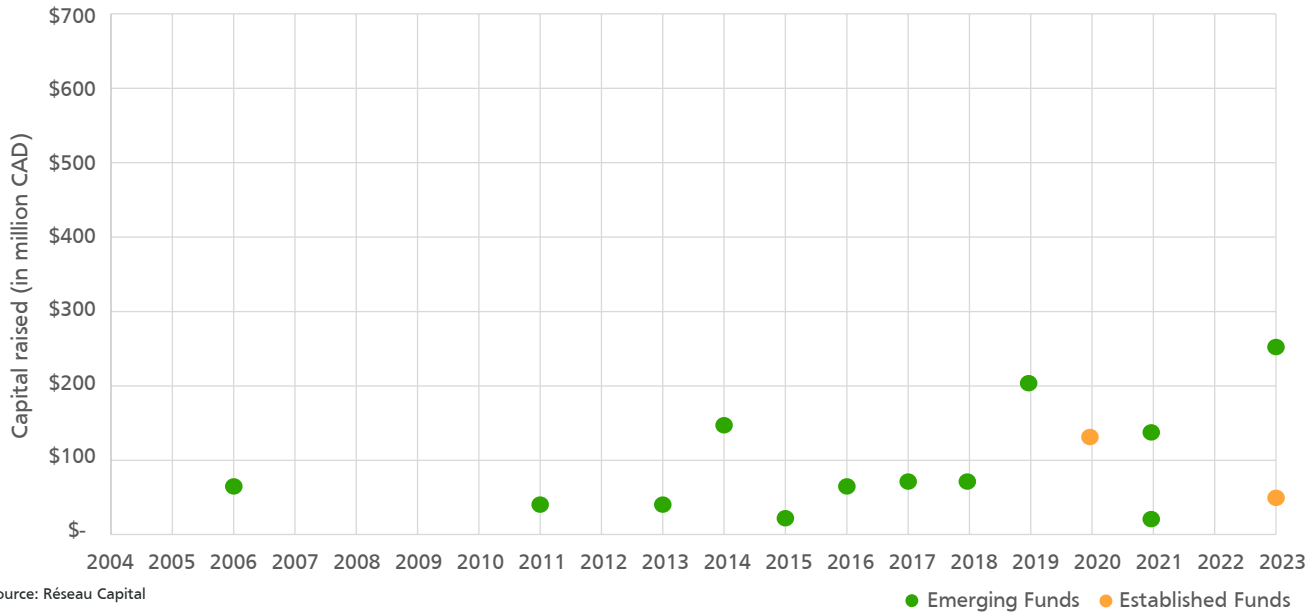
A series of indicators illustrate the gradual progress of the life sciences sector, though its advancement remains slow, and its level of maturity (presence of established managers and larger funds) remains limited:

- The frequency of fund closures increased from an average of 1/3 years during the 2004-2012 period to 1/year from 2014-2023. Additionally, the average annual capital raised grew from \$23 million in 2004-2012 to \$69 million in 2013-2018, and to \$159 million in 2019-2023 (Table 11). Although these increases are significant, they are less pronounced compared to the ICT sector.
- The average fund size increased from \$69 million during 2004-2012 to \$132 million in 2019-2023 (Table 11).
- The number of active Quebec-based private managers based rose from 1 at the beginning of 2004 to 6 by the end of 2023 (Table 11).
- Only one Quebec-based private manager successfully raised a fourth fund during the period and thus qualifies as an established manager.
- The average fund size has been trending upwards towards the end of the period (2019-2022), though only two funds reached the \$200 million threshold ([Graph 14](#)).

LIFE SCIENCES	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	NO. OF NEW FUNDS ÉMERGENTS (1-3)	NO. OF ACTIVE MANAGERS AT END OF PERIOD	NO. OF ACTIVE MANAGERS AT END OF PERIOD	CAPITAL RAISED BY 4 AND + FUNDS
2004-2006	2	165 \$	2	2	0	- \$
2007-2009	0	- \$	0	2	0	- \$
2010-2012	1	41 \$	1	3	0	- \$
2013-2015	3	207 \$	3	4	0	- \$
2016-2018	3	206 \$	3	4	0	- \$
2019-2021	4	494 \$	3	6	1	131 \$
2022-2023	2	299 \$	1	6	1	50 \$
Total	15	1 412,18 \$	38			180,50 \$
2004-2012	3	206 \$	69 \$	3	0	- \$

GRAPH 14

Life Sciences: Distribution of funds raised by year and fund size



Source: Réseau Capital

Table 12 summarizes the level of maturity of Quebec-based private managers investing in life sciences.

The following conclusions can be drawn:

- The emergence of new managers (Fund 1) remains limited over the entire period.
- Transition to Funds 2 and 3 is slower than in ICT (longer time horizons in life sciences)
- However, there is growing maturity, with 2 managers of 3 funds and one established manager (4+ funds) at the end of the period.

TABLE 12

Life Sciences : Number of funds raised by fund number and period

LIFE SCIENCES	FUND NUMBER				TOTAL
	1	2	3	4+	
2004-2006	2				2
2007-2009					0
2010-2012	1				1
2013-2015	1	1	1		3
2016-2018		2	1		3
2019-2021	2		1	1	4
2022-2023		1		1	2
Total	6	4	3	2	15

In conclusion, the ecosystem of Quebec-based life sciences venture capital managers is advancing, yet it remains tenuous, as indicated by the number of managers, the presence of established managers, and the size of capital raised.



b) Sources of capital

We obtained a distribution of funds raised by category of Limited partners (LP) for 14 out of the 15 life sciences funds accumulated between 2004 and 2023, representing 93% of the fund count. The classification of Limited partners (LP) categories aligns consistently with the broader industry's categorization framework.

Graphs 15 and 16, along with Table 13, yield the following insights:

- In absolute terms, all categories have grown up to 2019-2021 period (Graph 15).
 - The most significant increases were observed among Quebec's para-public sector, private investors outside Quebec, and, towards the end of the period, the Para-public ROC sector.
 - Contributions from Quebec's private investors saw a slight increase, though their overall impact remains minimal.
- 2022-2023 shows a differentiated evolution by category:
 - Para-public funding from Quebec continues to expand.
 - VCAP/VCCI demonstrates substantial growth.
 - Private sector investments outside Quebec experiences a steep decline.
 - The Para-public ROC sector sees a modest decline but maintains a high level.

In relative terms, as detailed in Table 13 and Graph 16, the proportion of public and para-public funding from Quebec, which was 83% during 2004-2012, decreased to 35% in 2019-2021 before rising to 43% in 2022-2023.

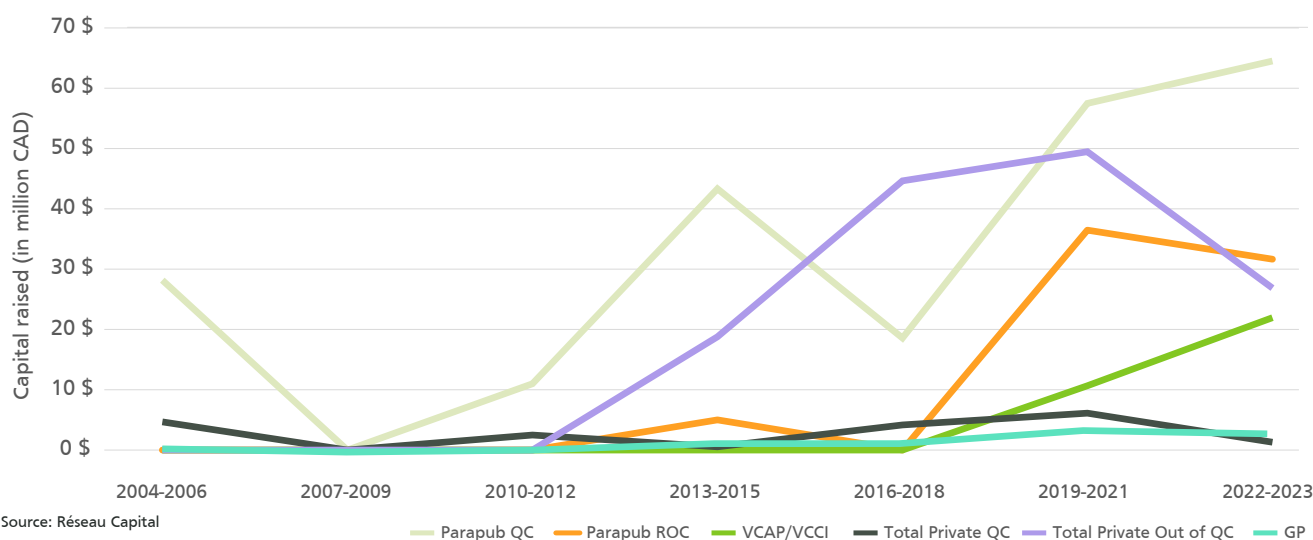
In parallel, the proportion of para-public funding from the ROC increased from 0% to 21%, and VCAP/VCCI's share grew from 0% to 15%.

The private sector's percentage, initially 17% in 2004-2012, peaked at 51% in 2013-2018 before reverting to 21% in 2022-2023, highlighting the sector's significant reliance on public and para-public financing or support.

When focusing solely on funds investing in life sciences that have made at least one investment in Quebec, as outlined in Appendix 3, it becomes even more evident that this sector remains heavily reliant on para-public funding or public support, regardless of the period considered.

- The contribution of GPs, remains stable at 2%, is less pronounced compared to the ICT sector, reflecting a lower presence of established managers.

GRAPH 15 Life Sciences : Average annual⁵ capital raised by period and by category of Limited partners (LP)



Source: Réseau Capital

⁵The annual series of capital raised is subject to considerable inter-annual variations, which is why we have chosen to represent the averages by period to make the Graph easier to understand.



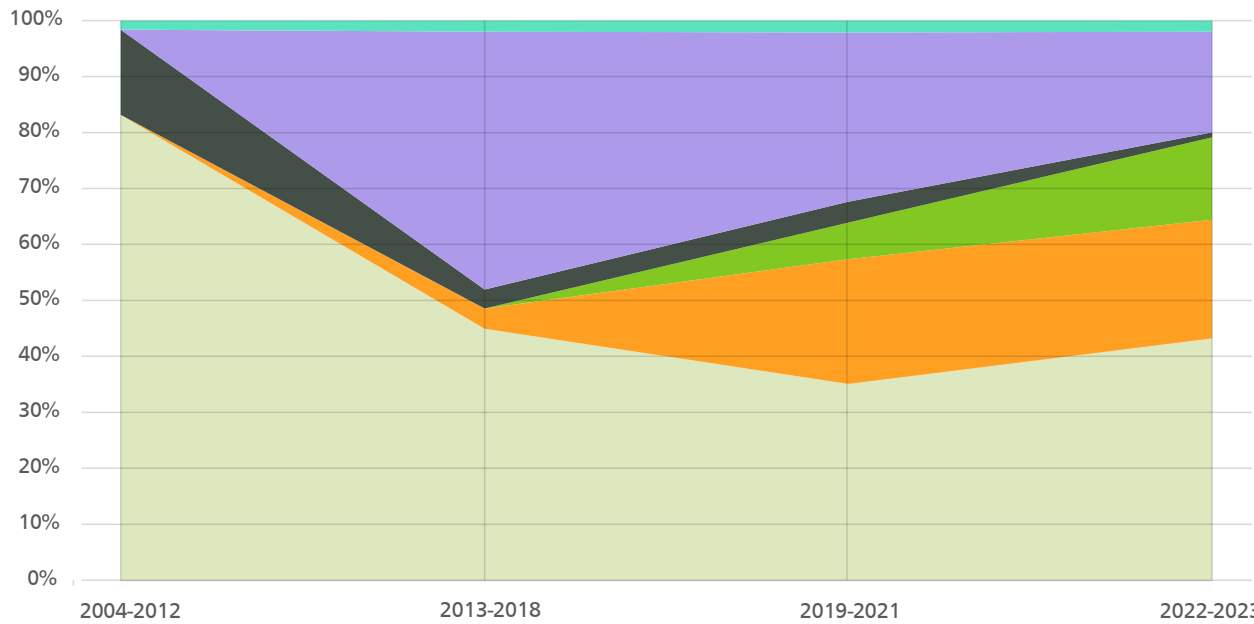
TABLE 13

Life Sciences : Distribution of funds raised by Limited partners (LP) category and period

	NO. OF NEW FUNDS	"MONTANTS LEVÉS (EN M\$)"	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2012	2	141 \$	83%	0%	0%	15%	0%	2%	100%
2013-2018	4	413 \$	45%	4%	0%	3%	46%	2%	100%
2019-2021	4	494 \$	35%	22%	7%	4%	30%	2%	100%
2022-2023	2	299 \$	43%	21%	15%	1%	18%	2%	100%

GRAPH 16

Life sciences: Percentage of funds raised by Limited partners (LP) categories and period

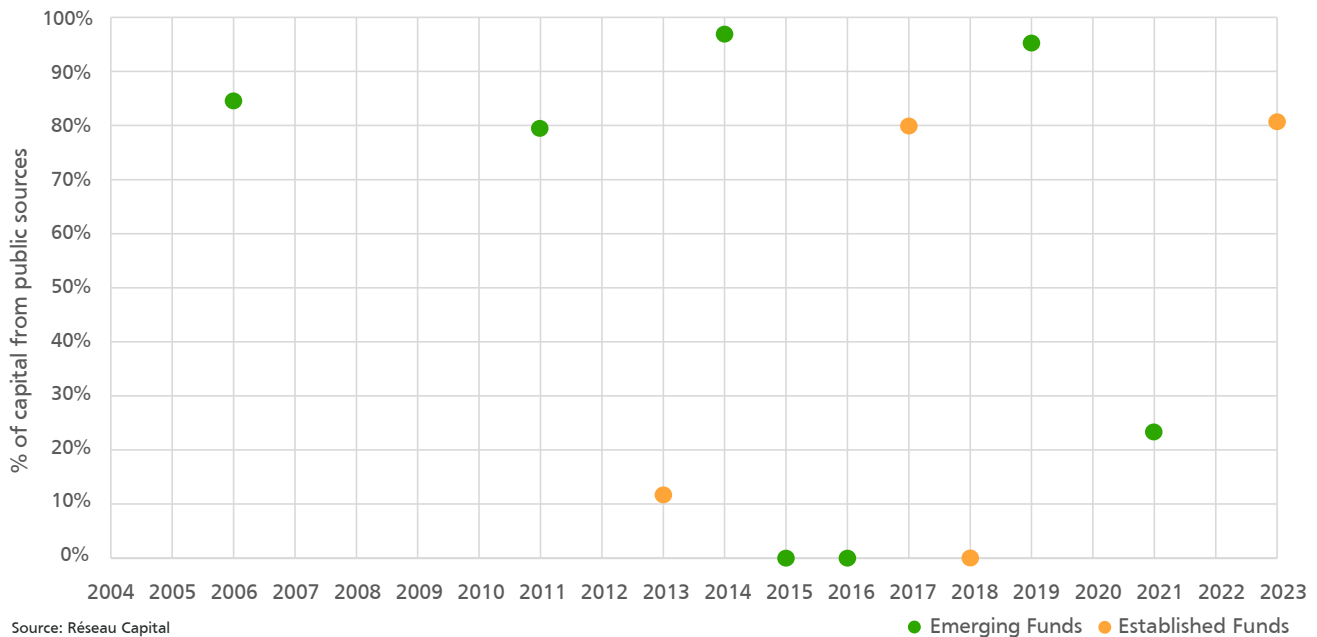


Source: Réseau Capital

Parapub QC Parapub ROC VCAP/VCCI Total Private QC Total Private Out of QC GP

GRAPH 17

Life sciences: Distribution of funds by year of closing and % of public funding



Source: Réseau Capital

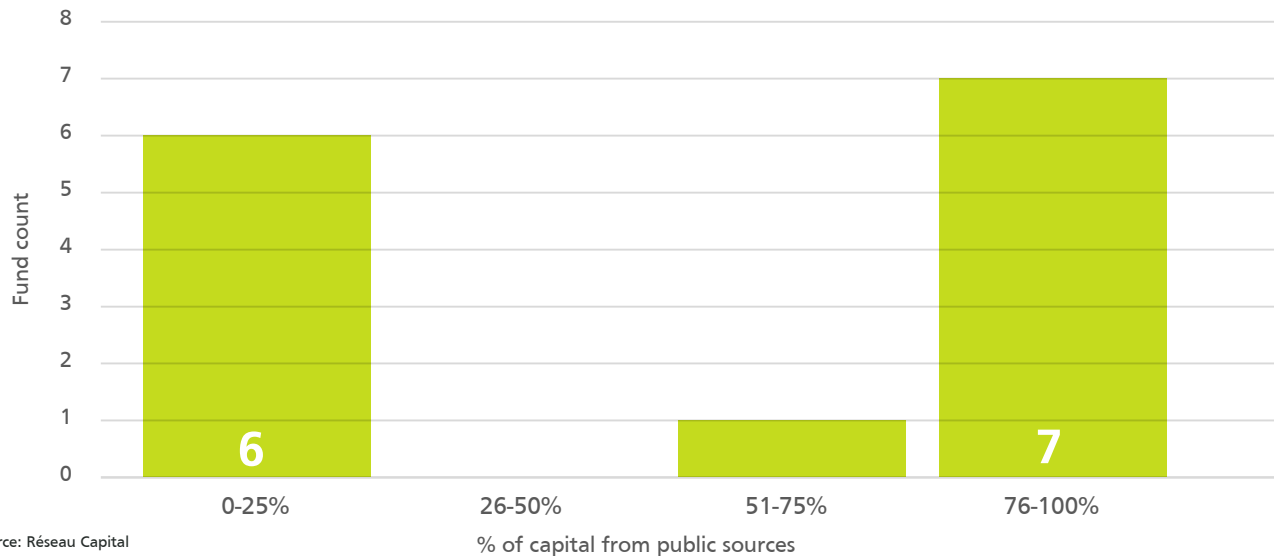
Emerging Funds Established Funds



An analysis of the fund distribution based on the proportion of public financing, as depicted in Graphs 17 and 18, reveals a pronounced bimodality. On one hand, there are funds (and managers) that rely on public or para-public financing for over 70% of their capital. On the other hand, there are funds whose capitalization is predominantly or entirely derived from private sources.

GRAPH 18

Life sciences: Distribution of funds by public funding share (2004-2023)



In summary, the life sciences sector has seen some progress since 2004, with the increases in the number of managers and funds, fund sizes, and diversification of capital-raising sources. However, this progress remains less pronounced compared to the ICT sector. In particular, the diversification of capital sources is still concentrated among a very limited number of managers.

The emergence of new managers in recent years could gradually change this situation. Diversification of capital sources for a proportion of existing managers remains a challenge.

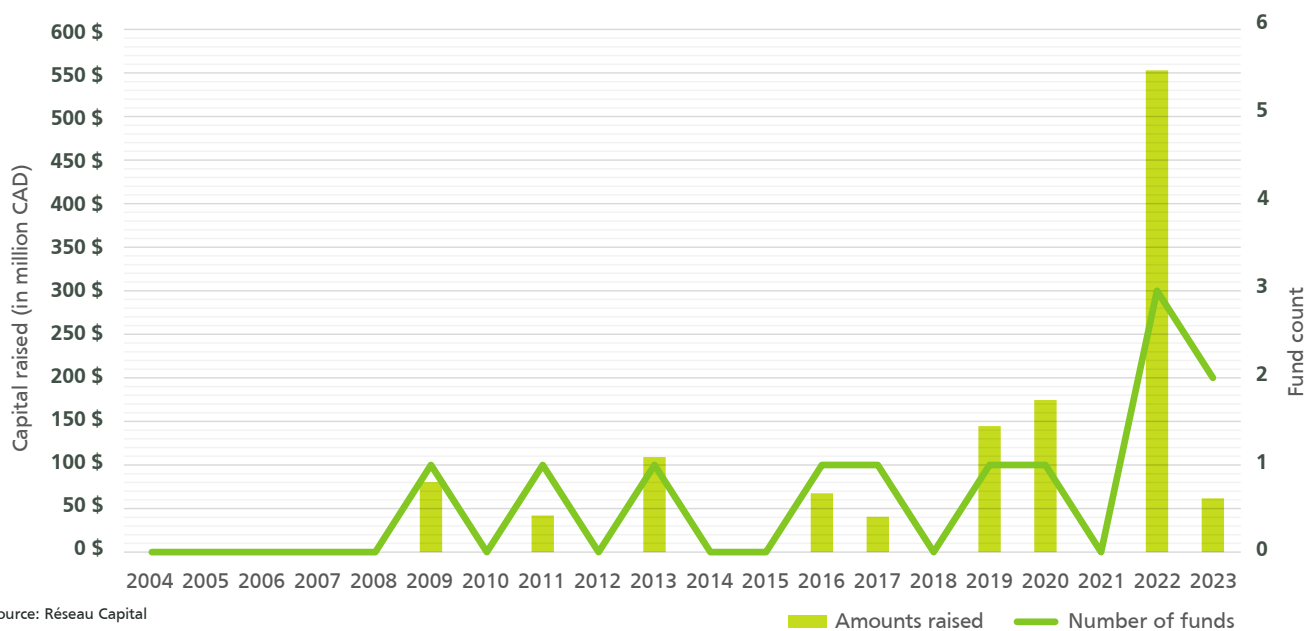


3.2.3 Clean technologies (CleanTech) Sector

a) Number of managers, fund count and capital raised

GRAPH 19

CleanTech: Number of funds and capital raised per year (2004-2023)



Source: Réseau Capital

TABLE 14

CleanTech: Number of funds raised and active managers by period

CLEANTECH	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	NO. OF NEW FUNDS ÉMERGENTS (1-3)	NO. OF ACTIVE MANAGERS AT END OF PERIOD	NO. OF ACTIVE MANAGERS AT END OF PERIOD	CAPITAL RAISED BY 4 AND + FUNDS
2004-2006	0	- \$	0	0	0	- \$
2007-2009	1	80 \$	1	1	0	- \$
2010-2012	1	42 \$	1	1	0	- \$
2013-2015	1	109 \$	1	1	0	- \$
2016-2018	2	108 \$	2	3	0	- \$
2019-2021	2	319 \$	1	3	1	145 \$
2022-2023	5	615 \$	2	6	2	225 \$
Total	12	1 273,67 \$	8			369,35 \$
2004-2012	2	122 \$	61 \$	1	0	- \$



Graph 20 illustrates the annual trends in the number of private funds and the capital raised by these funds from 2004 to 2023. The data reveals that the number of funds closed was relatively modest during the first decade but experienced an acceleration from 2016 onwards, accompanied by substantial annual fluctuations. A similar pattern is observed in the capital raised.

In total, 12 private funds were closed between 2004 and 2023, raising a total of \$1.27 billion in capital, representing 16% of the total number of funds and 15% of the capital raised across all sectors (Table 14).

A series of indicators highlight the growth of the CleanTech sector, which accelerated towards the end of the period from a low initial base:

- The number of funds closed increased from 2 during the 2004-2012 period (9 years) to 9 during the 2016-2023 period (8 years), while the capital raised surged from \$122 million to \$1.04 billion (Table 14).
- The average size of capital raised rose from \$61 million to \$116 million (Table 14);
- The number of active Quebec-based private managers based, which was nonexistent at the beginning of 2004, grew to 6 by the end of 2023. Of these, two managers raised 4 or more funds during the period, qualifying them as established managers (Table 14);
- The average size of funds raised has shown a tendency to increase towards the latter part of the period (2019-2023), though only one fund surpasses the \$200 million mark (Graph 20).

GRAPH 20

CleanTech: Distribution of funds raised by year and fund size

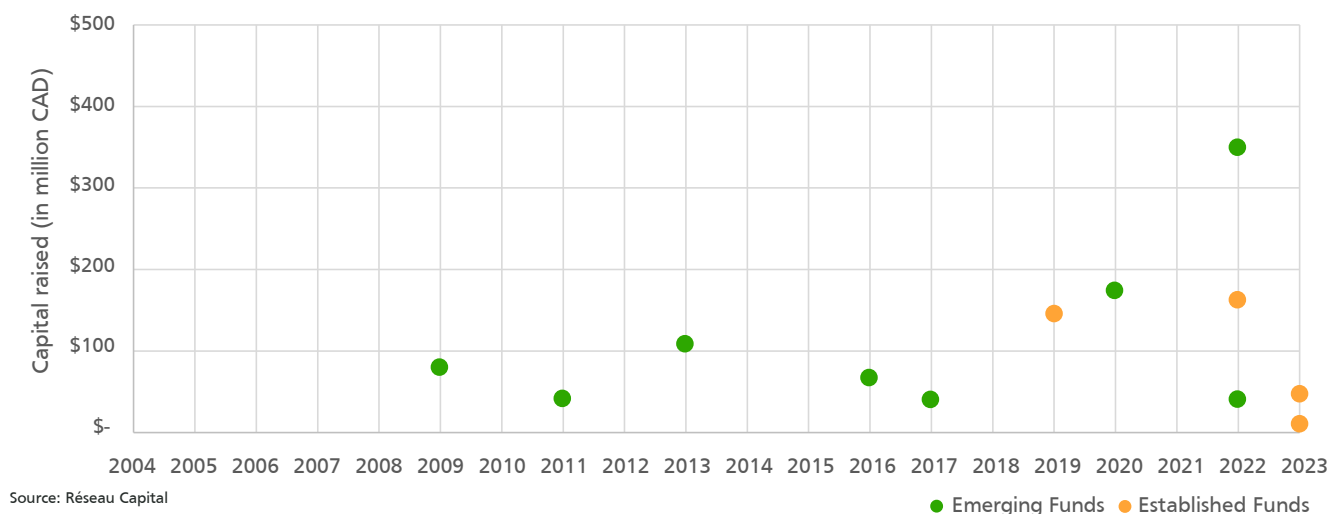


Table 15 summarizes the maturity level of the cohort of Quebec-based private managers investing in CleanTech and based.

The following conclusions emerge:

- The first Québec-based CleanTech fund and fund manager emerged in 2009
- Additional managers entered the scene in 2016 and 2017
- Only two managers have successfully raised a second funds, with one of them attaining the status of an established manager (fund 4 and +)



TABLE 15

CleanTech: Number of funds raised by fund number and period

CLEANTECH	FUND NUMBER				TOTAL
	1	2	3	4+	
2004-2006					0
2007-2009	1				1
2010-2012		1			1
2013-2015			1		1
2016-2018	2				2
2019-2021		1		1	2
2022-2023	2			3	5
Total	5	2	1	4	12

In conclusion, the ecosystem of Quebec-based venture capital managers specializing in clean technologies began later than in ICT and life sciences sectors. For an extended period, it remained concentrated around a single manager. Recently, new managers have emerged, signaling progress within the ecosystem. However, it remains fragile, with a limited number of managers and established managers, as well as relatively modest fund sizes.

b) Sources of capital

We obtained a distribution of funds raised by category of Limited partners (LP) for 11 out of the 12 CleanTech funds accumulated between 2004 and 2023, representing 92% of the fund count. The classification of Limited partners (LP) categories aligns consistently with the broader industry's categorization framework.

Graphs 21 and 22, along with Table 16, reveal the following insights:

- In absolute terms, all categories, except for VCAP/VCCI, experienced growth over the period, with an acceleration beginning in 2016 (Graph 21):
 - This acceleration is particularly noticeable for the Quebec para-public and private sectors outside Quebec.
 - There is also a supported acceleration for Private QC and Para-public ROC allocators.
 - The contribution from VCAP/VCCI is minimal during 2019-2021 and nonexistent in other periods.
 - There is no observed slowdown due to a cyclical reversal in 2022-2023.
- In relative terms (Table 16 and Graph 22), the percentages of public and para-public funding from Quebec, which was 77% in 2004-2012, decreased to 32% in 2022-2023.

Additionally, the percentages of Para-public ROC sources increased from 2% to 19% in 2019-2021, before adjusting to 13% in 2022-2023.

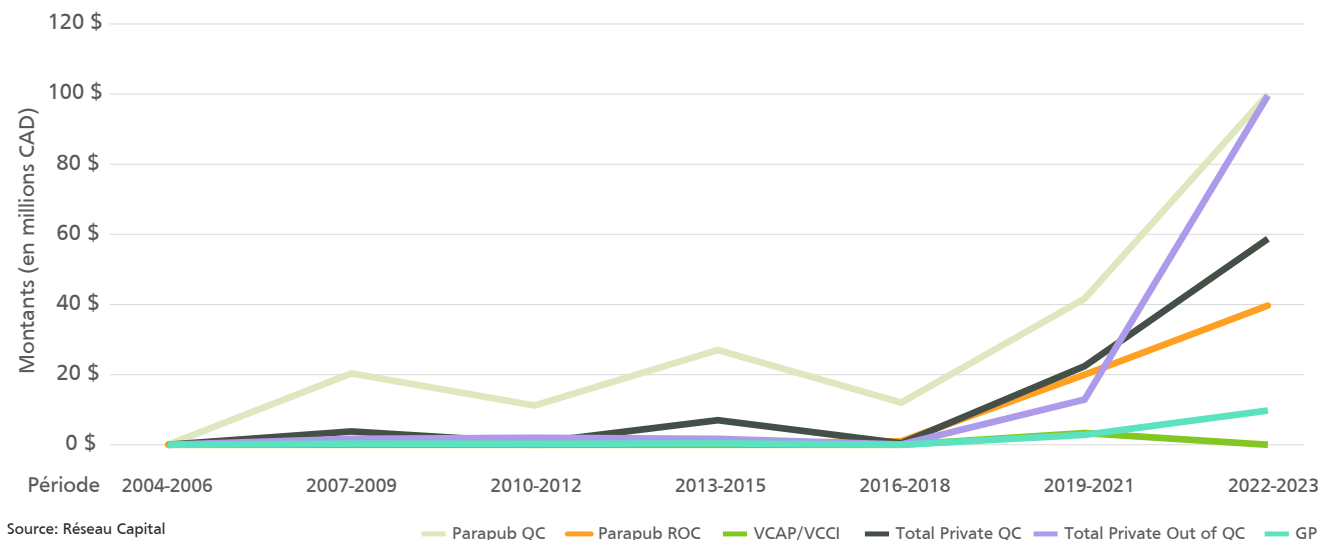
The share of private sector contributions, initially at 21% in 2004-2012, rose to 54% in 2022-2023, with a significant increase in private investors from outside Quebec towards the end of the period.

- The GP contribution increased from 1% to 3%.

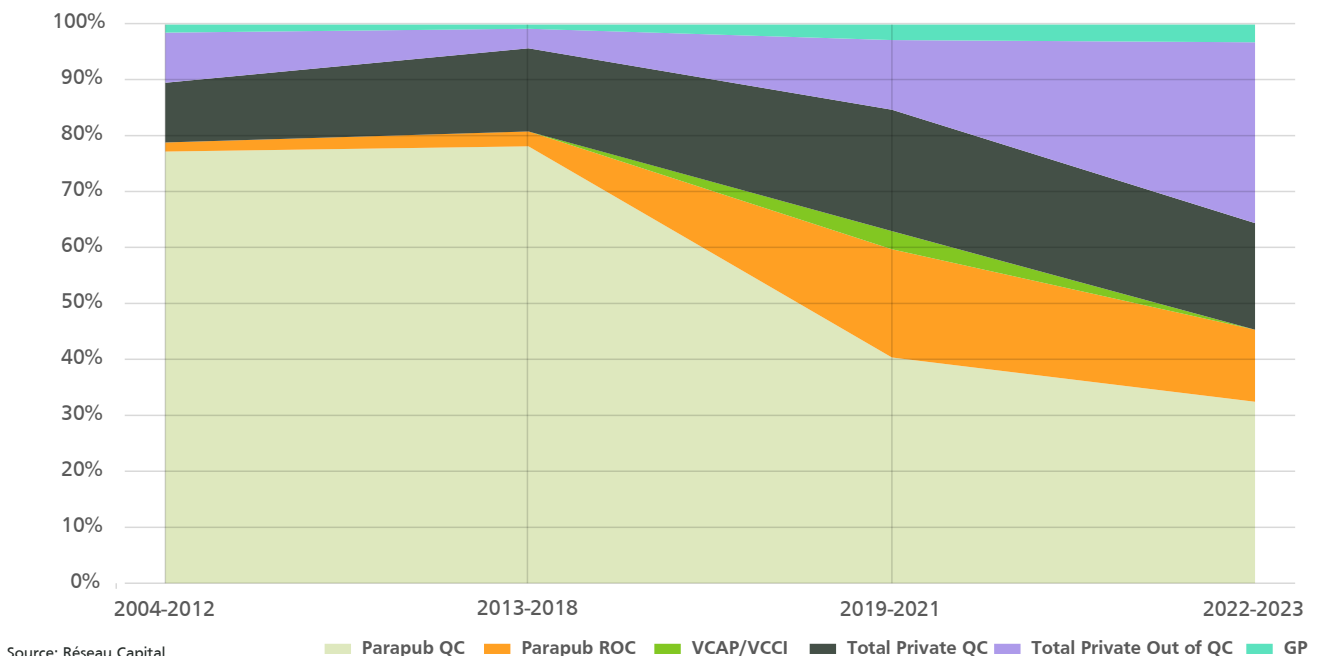


An analysis of the distribution of funds based on their percentage of public funding (Graphs 23 and 24) reveals that the majority of funds are financed by public or para-public sources to the extent of 70% or more. However, the landscape has shifted since 2020, with two funds now predominantly financed by the private sector.

GRAPH 21 CleanTech: Average annual⁶ capital raised by period and by category of Limited partners (LP)



GRAPH 22 CleanTech: Percentage of funds raised by Limited partners (LP) categories and period



⁶ The annual series of capital raised is subject to considerable inter-annual variations, which is why we have chosen to represent the averages by period to make the Graph easier to understand.

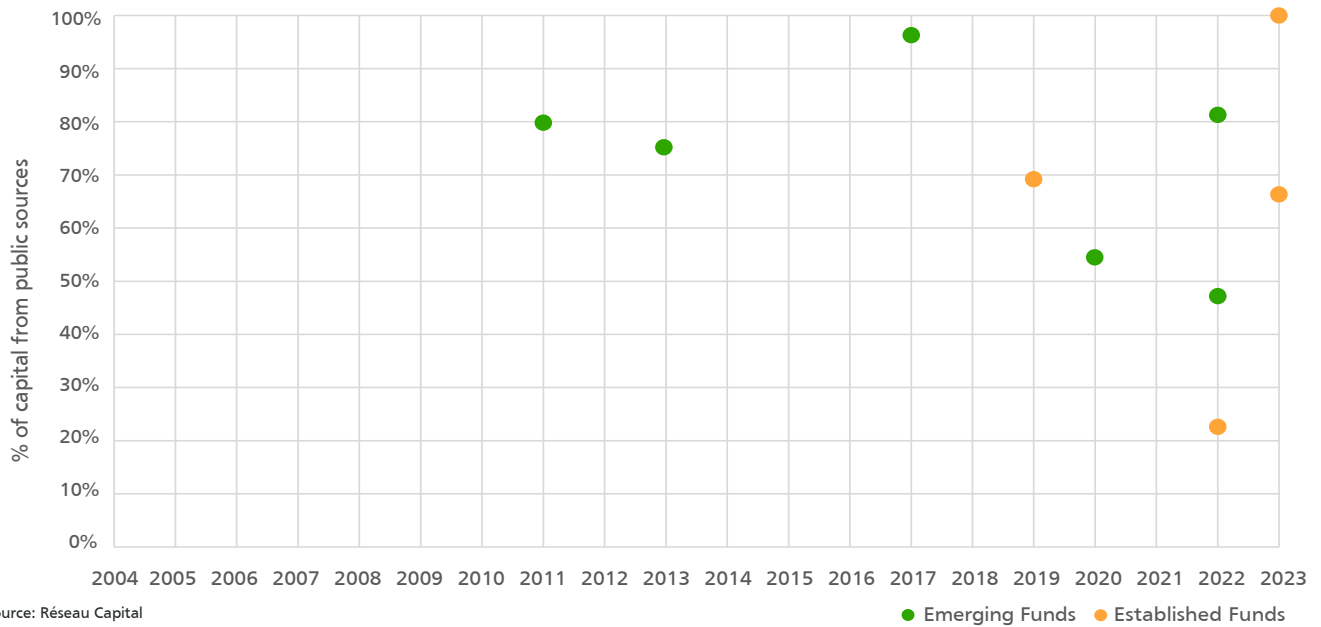


TABLE 16 **CleanTech: Distribution of funds raised by category of Limited partners (LP) and by period**

	NO. OF NEW FUNDS	MONTANTS LEVÉS (EN M\$)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2012	2	122 \$	77%	2%	0%	11%	9%	1%	100%
2013-2018	2	150 \$	78%	3%	0%	15%	4%	1%	100%
2019-2021	2	319 \$	40%	19%	3%	22%	13%	3%	100%
2022-2023	5	615 \$	32%	13%	0%	19%	32%	3%	100%

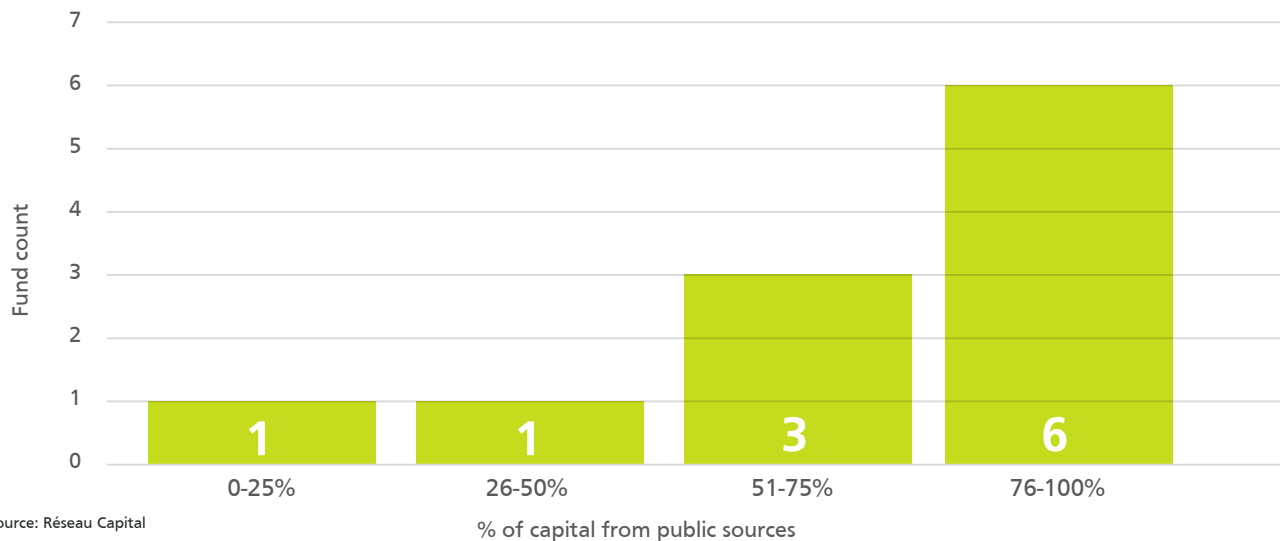
GRAPH 23

CleanTech: Distribution des Fund par année de clôture et selon le % de financement public



GRAPH 24

CleanTech: Distribution des Fund par année de clôture et selon le % de financement public





In summary, the Quebec-based ecosystem of CleanTech venture capital funds started later than other sectors, initially receiving substantial support from Quebec para-public funding, which was subsequently augmented by federal funding.

In recent years, there has been an acceleration in the number of managers and funds, as well as an increase in fund sizes and diversification of capital sources. However, it continues to lag significantly behind the more mature ICT ecosystem in terms of the number of managers and funds, fund sizes, and the diversification of capital sources.

3.3. Analysis by stage of investment



3.3.1 Seed

a) Number of managers, fund count and capital raised

Graph 25 illustrates the annual trend in the number of seed funds closed by private managers and the capital raised by these funds from 2004 to 2023. Initially, the number of funds closed remained relatively low during the first decade, but a notable acceleration began in 2015, marked by two peaks in 2017 and 2023. A similar pattern is also noticed in the capital raised.

A total of 32 private funds were closed between 2004 and 2023, collectively accumulating \$1.44 billion, representing 42% of the fund count and 17% of the capital raised across all stages.

A series of indicators underscore the dynamism of seed fund creation since 2010:

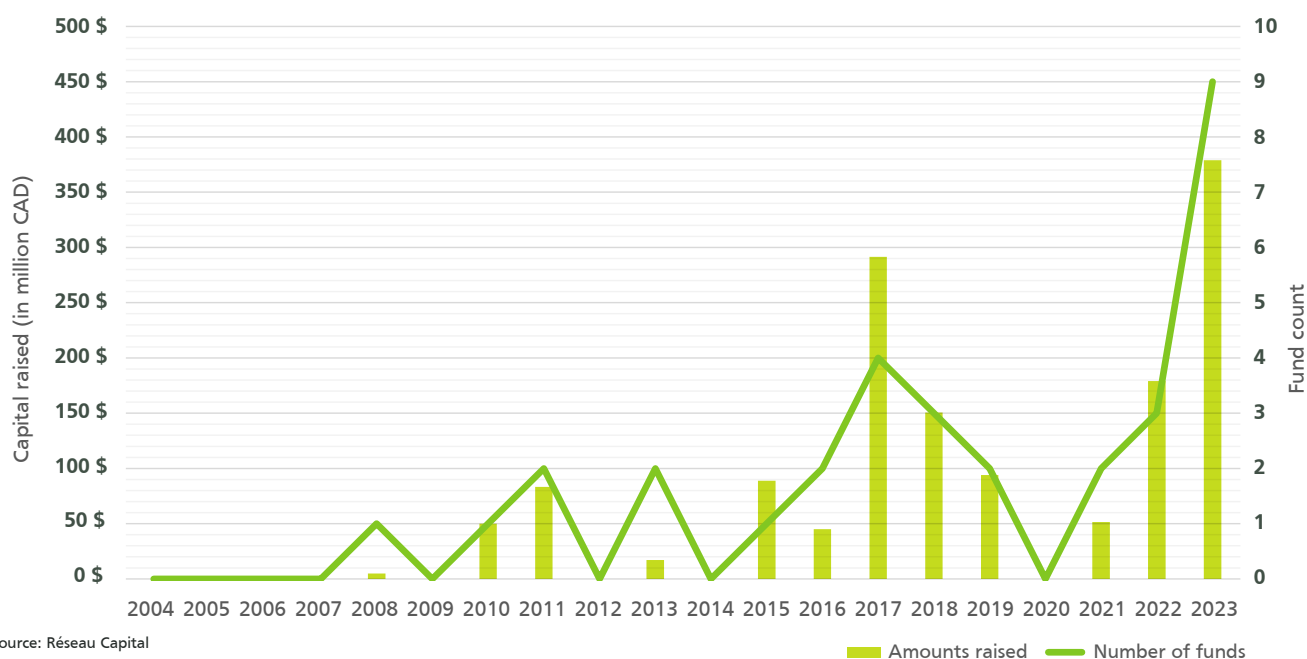
- The number of funds closed increased from 4 during the 2004-2012 period (9 years) to 16 during the 2013-2021 period (9 years), and to 12 during the 2022-2023 period (2 years). Correspondingly, the capital raised surged from \$139 million to \$739 million and \$558 million, respectively ([Table 17](#)).



- The average size of funds raised has shown minimal progression, rising from \$35 million in 2004-2012 to \$47 million in 2013-2021, and maintaining at \$47 million in 2022-2023. However, since 2017, two funds exceeding \$100 million have been raised (Graph 26).
- The number of Quebec-based private managers active in seed financing, initially nonexistent in 2004, grew to 17 by the end of 2023 (Table 17).
- Four of these managers have raised 4 or more seed funds, qualifying as established managers (Tables 17 and 18). Among them, 9 are first-time fundraisers, 2 are second-time fundraisers, and 6 have raised 3 or more funds.
- The majority of funds raised, including those in recent periods, are first and second funds that have yet to demonstrate their full potential (Table 18).

GRAPH 25

Seed: Number of funds and capital raised (\$M) per year (2004-2023)



Source: Réseau Capital

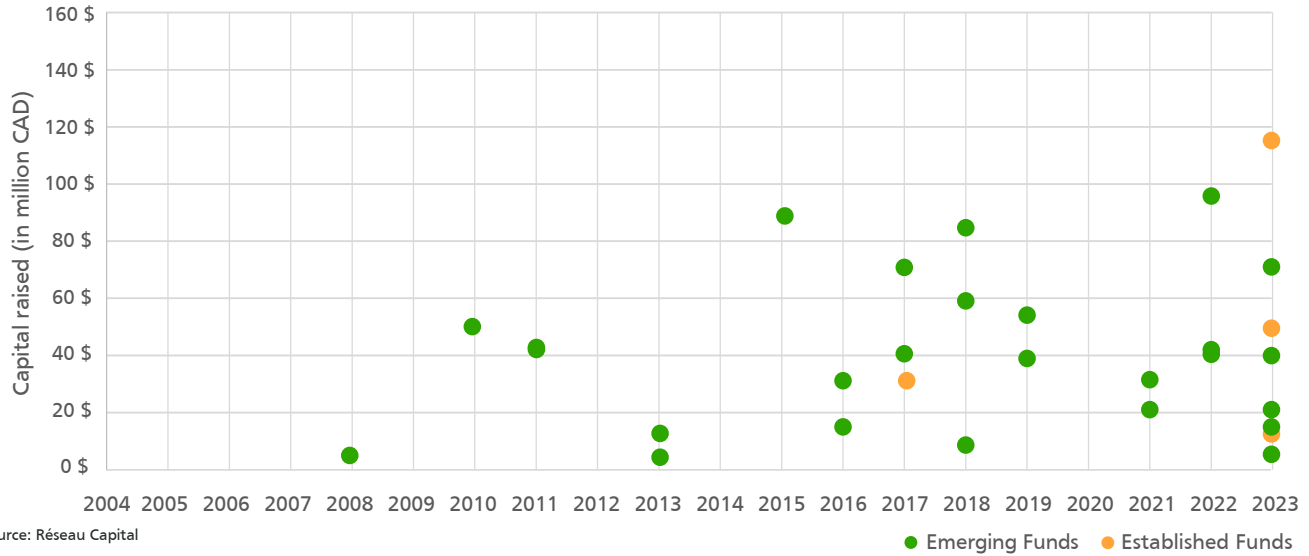
TABLE 17

Seed: Number of funds raised and active managers by period

	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	AVERAGE	NO. OF NEW FUNDS ESTABLISHED (4+)	NO. OF ACTIVE MANAGERS AT END OF PERIOD	NO. OF ACTIVE MANAGERS AT END OF PERIOD
2004-2012	4	138 \$	35 \$	0	3	0
2013-2015	3	106 \$	35 \$	0	5	0
2016-2018	9	487 \$	54 \$	2	9	1
2019-2021	4	146 \$	36 \$	0	11	1
2022-2023	12	558 \$	47 \$	3	17	4
Total	32	1 435 \$	45 \$			

GRAPH 26

Seed: Distribution of funds raised by year and fund size



Source: Réseau Capital

TABLE 18

Seed: Number of funds raised by fund number and period

SEED	FUND NUMBER				TOTAL
	1	2	3	4+	
2004-2006					0
2007-2009	1				1
2010-2012	1	2			3
2013-2015	2		1		3
2016-2018	4	3		2	9
2019-2021	2	1	1		4
2022-2023	4	3	1	4	12
Total	14	9	3	6	32

b) Sources of capital

We obtained a distribution of funds raised by category of limited partners for 31 of the 32 seed funds raised between 2004-2023, representing 97% of the fund count. The classification of Limited partners (LP) categories aligns consistently with the broader industry's categorization framework.

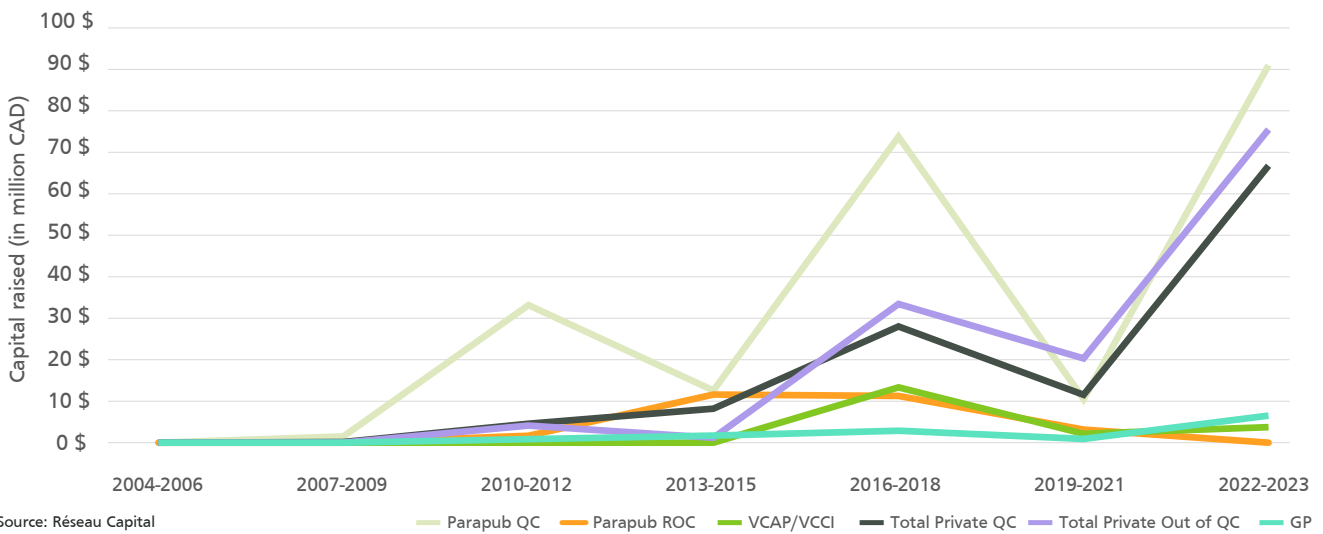
Graphs 27 and 28, along with Table 19, yield the following conclusions:

- In absolute terms ([Graph 27](#)) :
 - Para-public QC is the main source of funding until 2013. With variations, its contribution strongly increases throughout the period.
 - The contribution of QC and non-QC private seed investors increases rapidly from 2013 onwards.
 - The para-public ROC contribution peaks between 2013 and 2018 before declining thereafter.
 - The VCAP/VCCI contribution is more modest. It peaks in 2016-2018 and declines thereafter.



- In relative terms (Table 19 and Graph 28), the percentages of public and para-public QC sources, which totaled 79% in 2004-2012, falls to 39% by 2022-2023.
 - The percentages of para-public ROC rise to a maximum of 33% in 2013-2015 before falling to 0 at the end of the period.
 - The percentages of VCAP/VCCI rise to a maximum of 8% in 2016-2018 before falling to 2% at the end of the period.
 - The private sector's share, which was 21% in 2004-2012, rises to 61% in 2022-2023, with a steep increase in private-sector activity in Quebec and outside Quebec from 2016 onwards.

GRAPH 27 Seed: Average annual⁷ capital raised by period and by category of limited partner



Source: Réseau Capital

TABLE 19 Seed: Distribution of funds raised by category of limited partner and by period

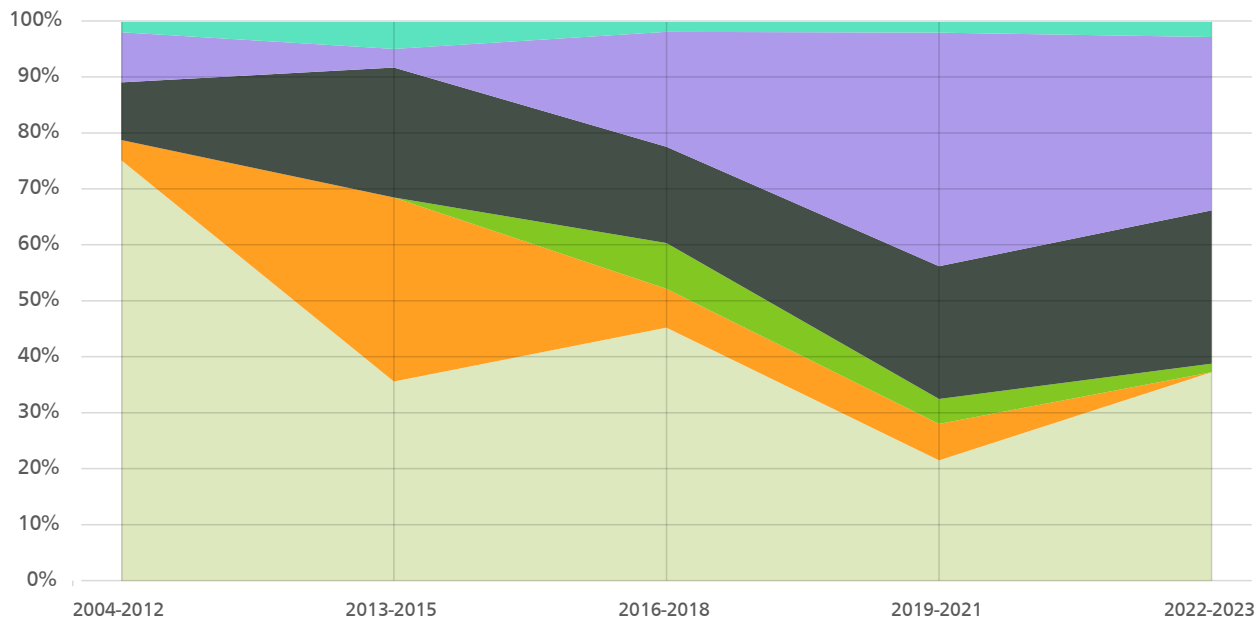
	NO. OF NEW FUNDS	MONTANTS LEVÉS (EN M\$)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2012	4	138 \$	75%	4%	0%	10%	9%	2%	100%
2013-2015	3	106 \$	36%	33%	0%	23%	3%	5%	100%
2016-2018	9	487 \$	45%	7%	8%	17%	21%	2%	100%
2019-2021	4	146 \$	22%	7%	4%	24%	42%	2%	100%
2022-2023	11	487 \$	37%	0%	2%	27%	31%	3%	100%

⁷The annual series of capital raised is subject to considerable inter-annual variations, which is why we have chosen to represent the averages by period to make the Graph easier to understand.



GRAPH 28

Seed: Percentage of funds raised by Limited partners (LP) categories and period



Source: Réseau Capital

Parapub QC Parapub ROC VCAP/VCCI Total Private QC Total Private Out of QC GP

The percentages of private capital do not display a linear increase with successive fund numbers, contrary to expectations: 40% for Fund 1, 59% for Fund 2, 35% for Fund 3, and 53% for Fund 4 (Table 20). Several significant points can be highlighted in this context:

- Quebec para-public funds predominantly account for Fund 1.
- Both Quebec and non-Quebec private investors are significantly present in Funds 1 and 2.
- VCAP/VCCI is absent from Funds 1 and 2, making its presence felt only in Funds 3 and, even more so, in Fund 4 (established funds).

TABLE 20

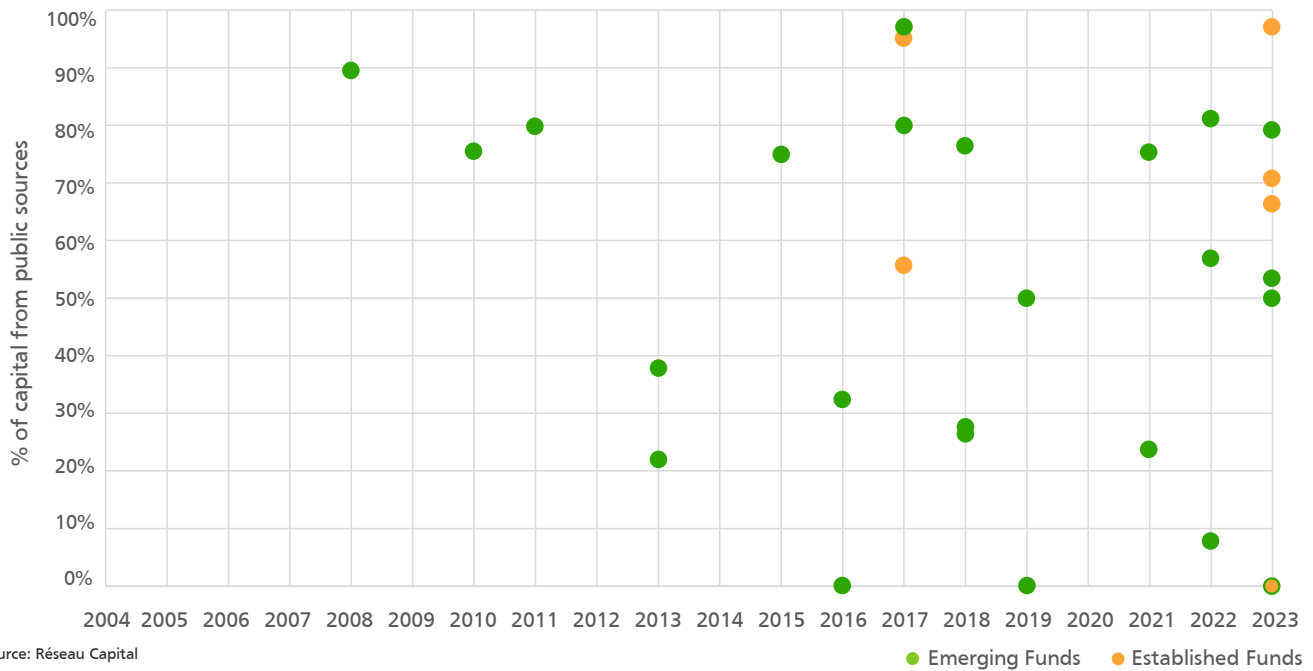
Seed: Distribution of funds raised by category of Limited partners (LP) and fund number

SEED							
FUND NUMBER	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
1	55%	5%	0%	18%	19%	3%	100%
2	39%	3%	0%	25%	30%	2%	100%
3	36%	25%	4%	26%	7%	2%	100%
4 et +	32%	4%	12%	20%	31%	2%	100%

The analysis of the distribution of funds based on their percentage of public financing (Graphs 29 and 30) reveals a distinctly bimodal landscape: the majority of funds are heavily reliant on public financing, while a minority, emerging post-2013, are predominantly financed by the private sector.

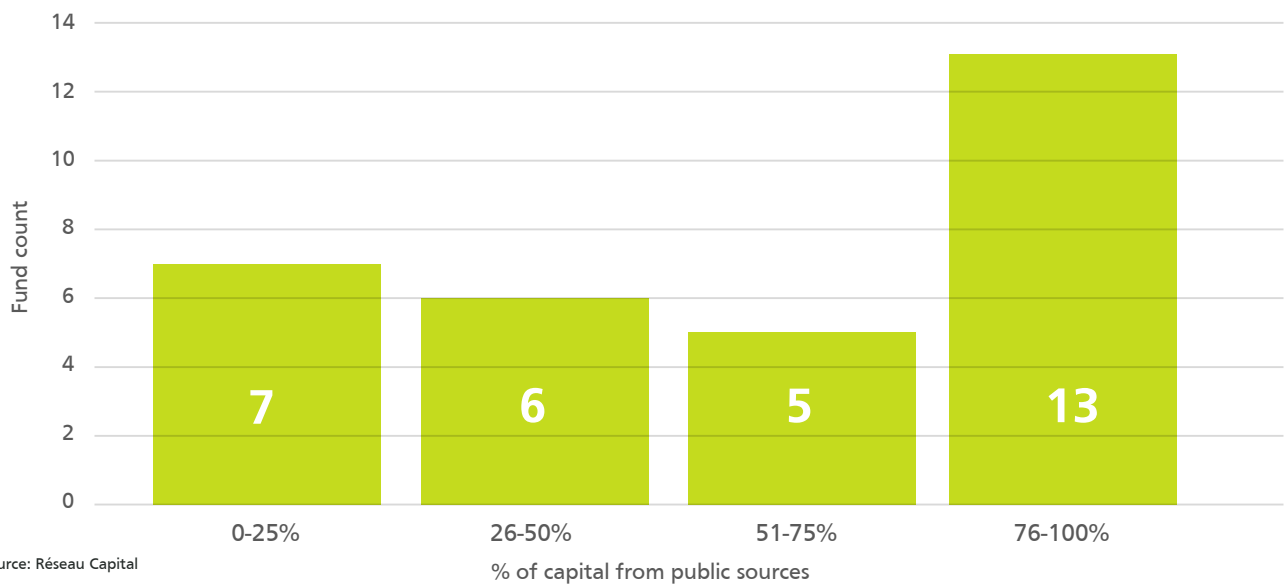


GRAPH 29 Seed: Distribution of funds by year of closing and % of public funding



Source: Réseau Capital

GRAPH 30 Seed: Distribution of funds by share of public financing (2004-2023)



Source: Réseau Capital

In summary:

- The creation of seed funds in Québec has demonstrated considerable dynamism since the early 2010s, with an even more pronounced acceleration since 2015.
- Public funding from Quebec played a crucial role from the beginning, continuing to grow in absolute terms, although its relative share diminished as private funding assumed an increasingly significant role.



- Canadian para-public contributions were more prominent during the 2011-2016 period, with their share declining thereafter.
- The contribution of VCAP/VCCI (special VCCI programs) remained modest and was concentrated on established funds.
- The seed ecosystem is still developing, as illustrated by the high proportion of 1 and 2 funds even in the most recent periods.
- The bimodal distribution indicates that some fund managers were able to raise their funds with limited support from para-public financing source, while the majority of funds would not have been able to close without substantial support from para-public financing, mainly from Quebec-based public and para-public Limited partners (LP).
- The transition to established funds that rely less on public funding remains a challenge for a significant proportion of fund managers



3.3.2 Early-stage

a) Number of managers, fund count and capital raised

Graph 31 illustrates the annual trend in the number of early-stage funds closed by private fund managers and the capital raised by these funds from 2004 to 2023. Initially, the number of funds closed indicates some acceleration towards the end of the period, with a notable increase in capital raised. Unlike seed funds and later-stage funds, the flow of new early-stage funds has been significant since the 2004-2010 period.

A total of 35 independent private funds were closed between 2004 and 2023, collectively raising \$4.38 billion, representing 45% of the fund count and 52% of the capital raised across all stages ([Table 21](#)).

A series of indicators highlight the dynamism of early-stage fund creation over the period:

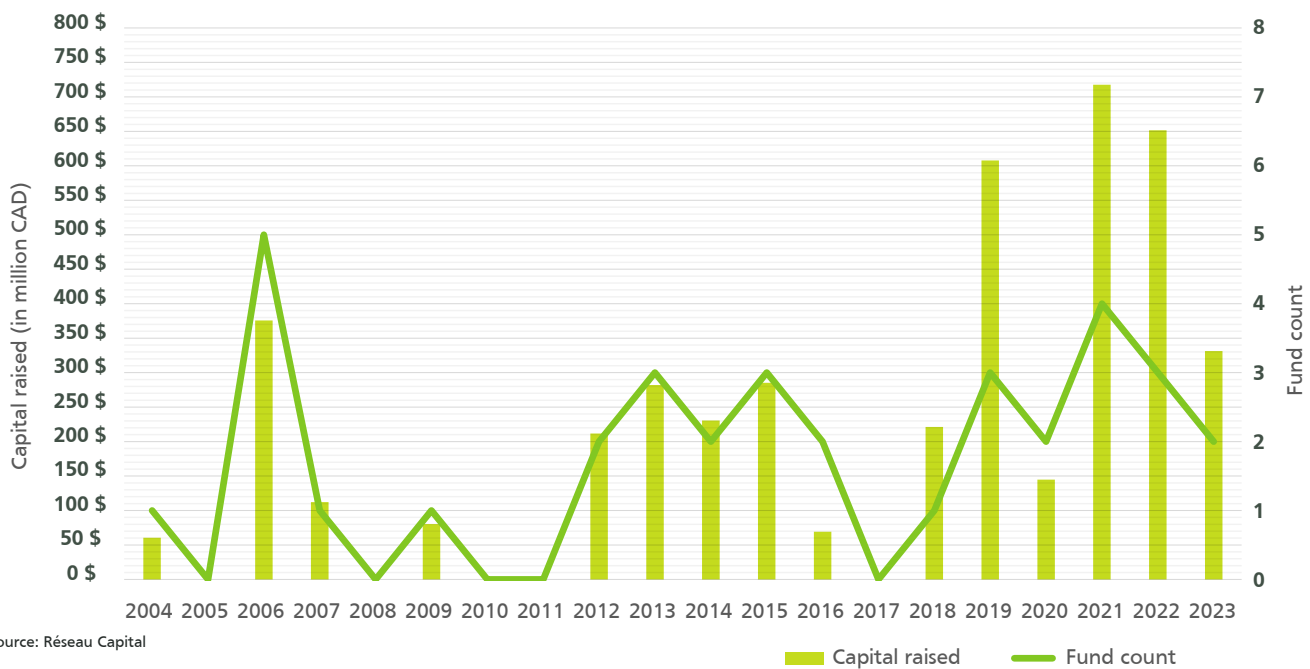
- The number of funds closed fluctuated from year to year, showing significant acceleration: 10 funds closed over 9 years between 2004 and 2012, 11 funds over 6 years between 2013 and 2018, and 14 funds over 5 years between 2019 and 2023.
- The capital raised have increased more steeply, particularly towards the end of the period: \$840 million over 9 years between 2004 and 2012, \$1.09 billion over 6 years between 2013 and 2018, and \$2.45 billion over 5 years between 2019 and 2023. This is due to both the increase in the number of funds raised and the growth in average fund size ([Table 21](#)).



- Until 2012, all funds raised were under \$120 million. Between 2013 and 2023, 10 funds exceeded \$130 million, including 4 funds surpassing \$200 million ([Graph 19](#));
- The number of active managers has risen sharply since the beginning of the period, from 4 in 2004 to 7 in 2012, then 11 in 2015, and 13 in 2023. Efforts to rebuild the industry post-Brunet report initially focused on the emergence of early-stage fund managers before shifting to seed and later-stage funds.
- An analysis of the number of funds raised by fund number (Table 22) corroborates this trend: the first funds are concentrated in the 2004-2015 period, while the 2019-2023 period sees a majority of third and fourth funds.
- The first established manager (fund manager raising their fourth or more fund) appeared in 2015. By the end of 2023, Quebec had 4 established early-stage fund managers.

GRAPH 31

Early-stage: Number of funds and capital raised (\$M) per year (2004-2023)



Source: Réseau Capital

TABLE 21

Early-stage: Number of funds raised and active managers by period

	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	AVERAGE	NO. OF NEW FUNDS ESTABLISHED (4+)	NO. OF ACTIVE MANAGERS AT END OF PERIOD	NO. OF ACTIVE MANAGERS AT END OF PERIOD
2004-2012	10	840 \$	275 \$	0	7	0
2013-2015	8	798 \$	100 \$	1	11	1
2016-2018	3	290 \$	97 \$	0	11	1
2019-2021	9	1 470 \$	163 \$	3	13	3
2022-2023	5	983 \$	197 \$	4	13	4
Total	35	4,382 \$	831 \$			



GRAPH 32

Early-stage : Distribution of funds raised by year and fund size

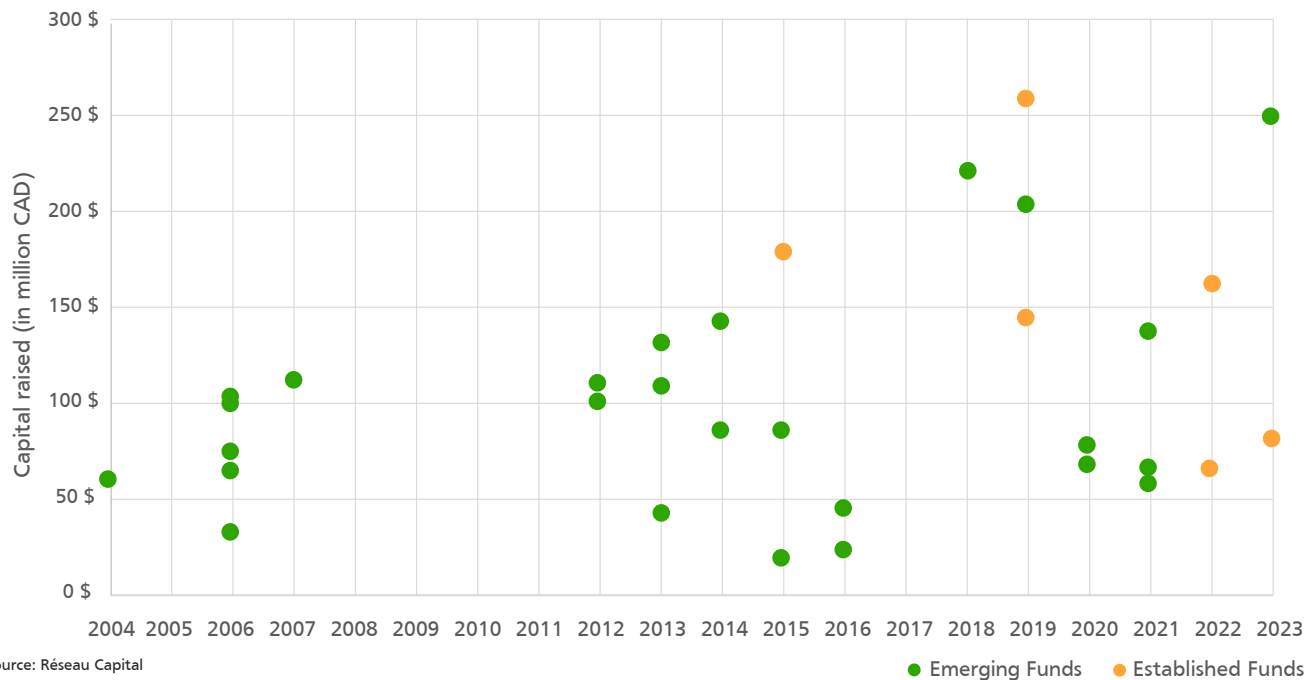


TABLE 22

Early-stage : Number of funds raised by fund number and period

EARLY-STAGE	FUND NUMBER				TOTAL
	1	2	3	4+	
2004-2006		1	1	0	6
2007-2009		1	0	0	2
2010-2012		1	1	0	2
2013-2015		1	2	1	8
2016-2018		1	1	0	3
2019-2021		1	3	3	9
2022-2023		1	0	4	5
TOTAL	0	7	8	8	35

b) Sources of capital

We obtained a distribution of funds raised by category of limited partner for 33 of the 35 Early-stage funds accumulated between 2004 and 2023, representing 94% of the fund count. The classification of limited partner categories aligns consistently with the broader industry's categorization framework.

Graphs 33 and 34, along with Table 23, reveal the following insights:

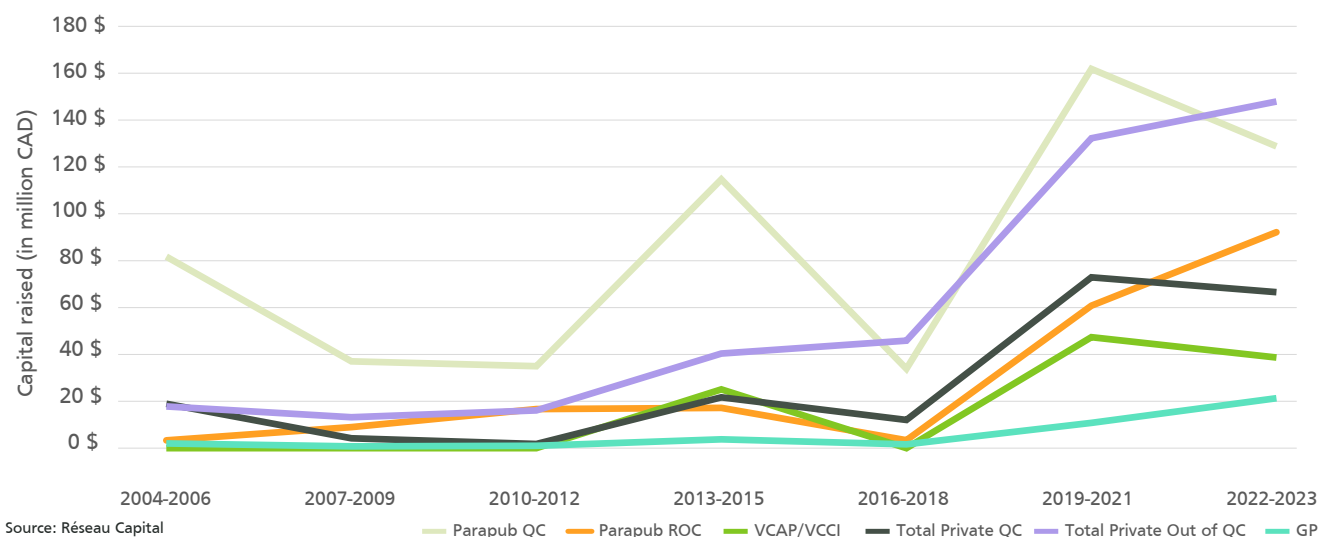
- In absolute terms:
 - With some fluctuations, all categories experienced accelerating growth during the 2019-2021 period ([Graph 33](#));
 - The 2022-2023 period shows a turnaround for Para-public QC, Private QC, and VCAP/VCCI, while Private out of QC and Para-public ROC continued to grow ([Graph 33](#)).



- In relative terms (Table 23 and Graph 34):
 - The percentages of Para-public QC funding, which was 59% in 2004-2012, decreased to 26% in 2022-2023
 - The percentages of Para-public ROC sources increased towards the end of the period, reaching 19% in 2022-2023.
 - The proportion of VCAP/VCCI funding is higher than in seed stage, ranging from 8% to 10% at the end of the period.
 - Private funding rose from 29% in 2004-2012 to 47% in 2022-2023, after peaking at 61% in 2016-2018. With fluctuations, the percentages of private funding from outside Quebec are around double that of private funding from within Quebec.

GRAPH 33

Early-stage: Average annual⁸ capital raised by period and by category of limited partner



Source: Réseau Capital

— Parapub QC — Parapub ROC — VCAP/VCCI — Total Private QC — Total Private Out of QC — GP

TABLE 23

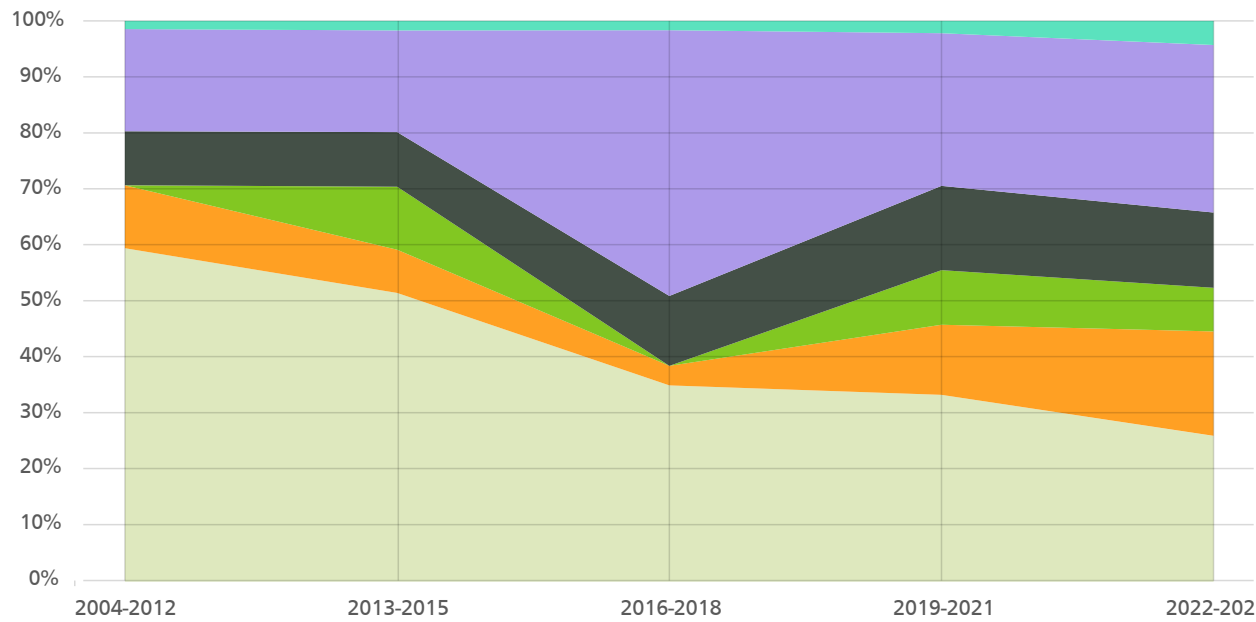
Early-stage: Distribution of funds raised by Limited partners (LP) categories and period

	NO. OF NEW FUNDS	MONTANTS LEVÉS (EN M\$)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2012	9	775 \$	59%	11%	0%	10%	18%	1%	100%
2013-2015	7	668 \$	51%	8%	11%	10%	18%	2%	100%
2016-2018	3	290 \$	35%	3%	0%	12%	47%	2%	100%
2019-2021	9	1 470 \$	33%	13%	10%	15%	27%	2%	100%
2022-2023	5	983 \$	26%	19%	8%	13%	30%	4%	100%

⁸The annual series of capital raised is subject to considerable inter-annual variations, which is why we have chosen to represent the averages by period to make the Graph easier to understand.



GRAPH 34 Early-stage : Percentage of funds raised by Limited partners (LP) category and period



Source: Réseau Capital

Parapub QC Parapub ROC VCAP/VCCI Total Private QC Total Private Out of QC GP

Table 24 provides a detailed analysis of the distribution of Limited partners (LP) shares by fund number:

- The contribution of Quebec public and para-public funding is notably substantial for funds 1 and 2, representing 60% and 50% respectively. This support decreases for subsequent funds, falling to 23% for funds 4 and beyond.
- Federal funding, while most prominent at the beginning of the financing chain (14% and 15% for funds 1 and 2 respectively), continues to play a significant role in funds 4 and above, maintaining a share of 12%.
- The proportion of VCAP/VCCI contributions is significantly higher for established funds (11%) compared to emerging funds, which receive between 3% and 5%.
- The percentages of private capital show a notable increase, rising from 24% for funds 1 to 53% for funds 4 and above.

These findings underline the pivotal role of public and para-public funding in Quebec, and to a lesser extent across the rest of Canada, in fostering the industry’s resurgence post-2004. This support was particularly critical during the 2004-2016 period, a time characterized by a steep increase in the number of managers and, correspondingly, in the financing of Funds 1 and 2 (Table 24).

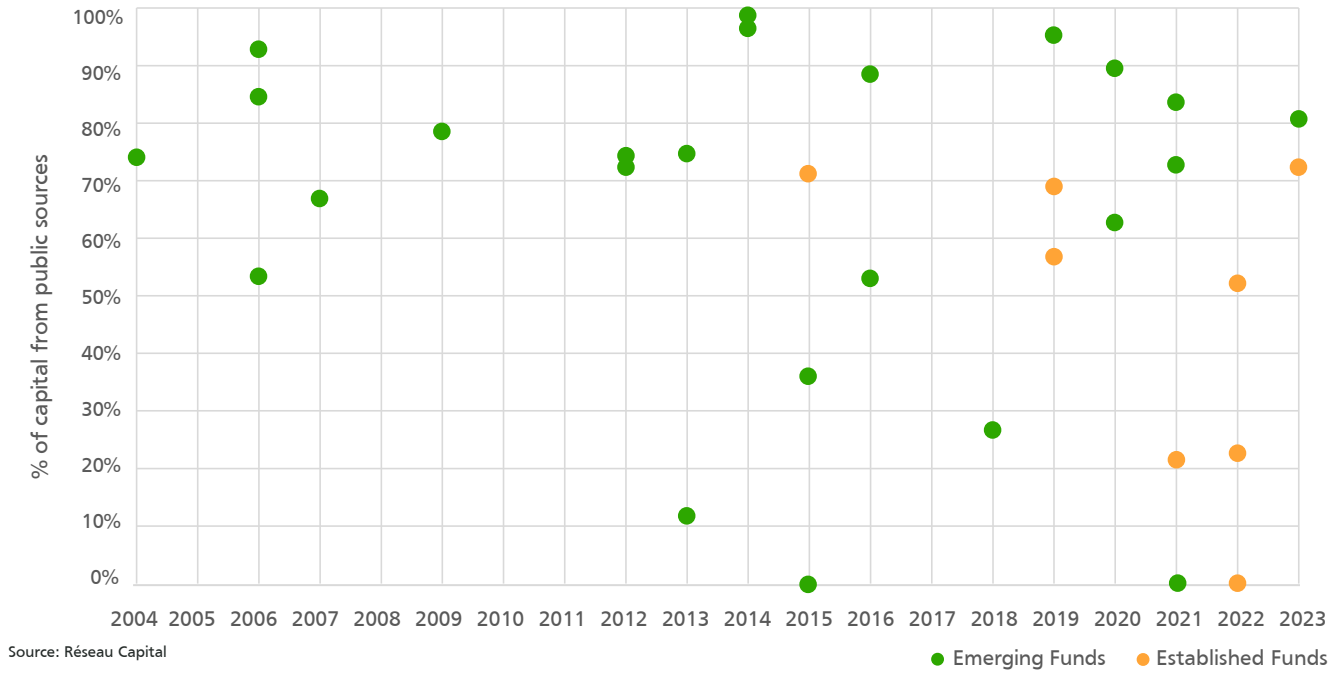
TABLE 24 Early-stage: Distribution of funds raised by Limited partners (LP) category and fund number

Early-stage							
FUND NUMBER	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
1	60%	14%	3%	8%	14%	2%	100%
2	50%	15%	4%	3%	26%	2%	100%
3	47%	7%	5%	13%	25%	1%	100%
4 et +	21%	12%	11%	20%	32%	3%	100%

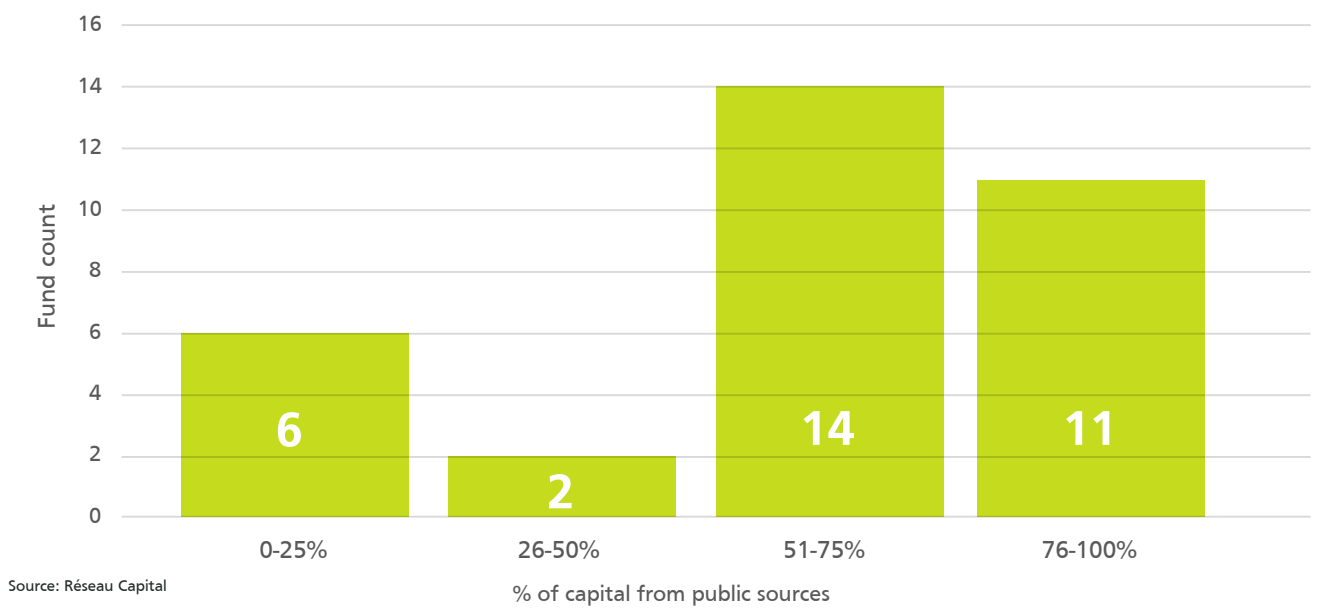
An analysis of the distribution of funds based on their proportion of public funding (Graphs 35 and 36) reveals that a significant number of funds remains reliant on public and para-public financing, although to a lesser extent compared to seed funding as the largest proportion falls within the range of 51% to 75% (Graph 36).

The first fund predominantly financed by the private sector emerged in 2013. Since then, 6 funds have achieved a private sector financing ratio exceeding 75% during the 2013-2023 period.

GRAPH 35 Early-stage: Distribution of funds by year of closing and % of public funding



GRAPH 36 Early-stage: Distribution of funds according to share of public financing (2004-2023)



In summary:

- The emergence of new early-stage fund managers and the increase of new funds have proved substantial dynamism since 2004, with a considerable acceleration throughout the 2004-2023 period.
- Quebec-based Public and para-public financing, along with federal contributions to a lesser extent, were instrumental in the initial surge of fund managers and capital raised.
- As the industry evolved, both the quantity and scale of funds increased, leading to the emergence of established funds and managers, and a diversification of capital sources with a growing emphasis on private investment.
- These advancements align broadly with the recommendations outlined in the Brunet report.
- Nonetheless, the landscape remains precarious, with a persisting reliance on public and para-public funding . The majority of funds continue to depend on such financing for over 50%, and often considerably more, even towards the end of the period (Graph 35). Only, a minority of managers are capable of operating independently or with minimal reliance on such funding.



3.3.3 Later-stage

a) Number of managers, fund count and capital raised

Graph 37 illustrates the annual trend in the number of later-stage funds closed by private managers and the capital raised by these funds over the 2004-2023 period. The inaugural later-stage funds emerged in 2016, initially comprising relatively modest size (\$66 million). From 2018 forward, fundraising exhibited significant acceleration, marked by larger funds: 4 funds exceeding \$300 million, including 3 surpassing \$400 million. No later-stage funds were raised in 2023.



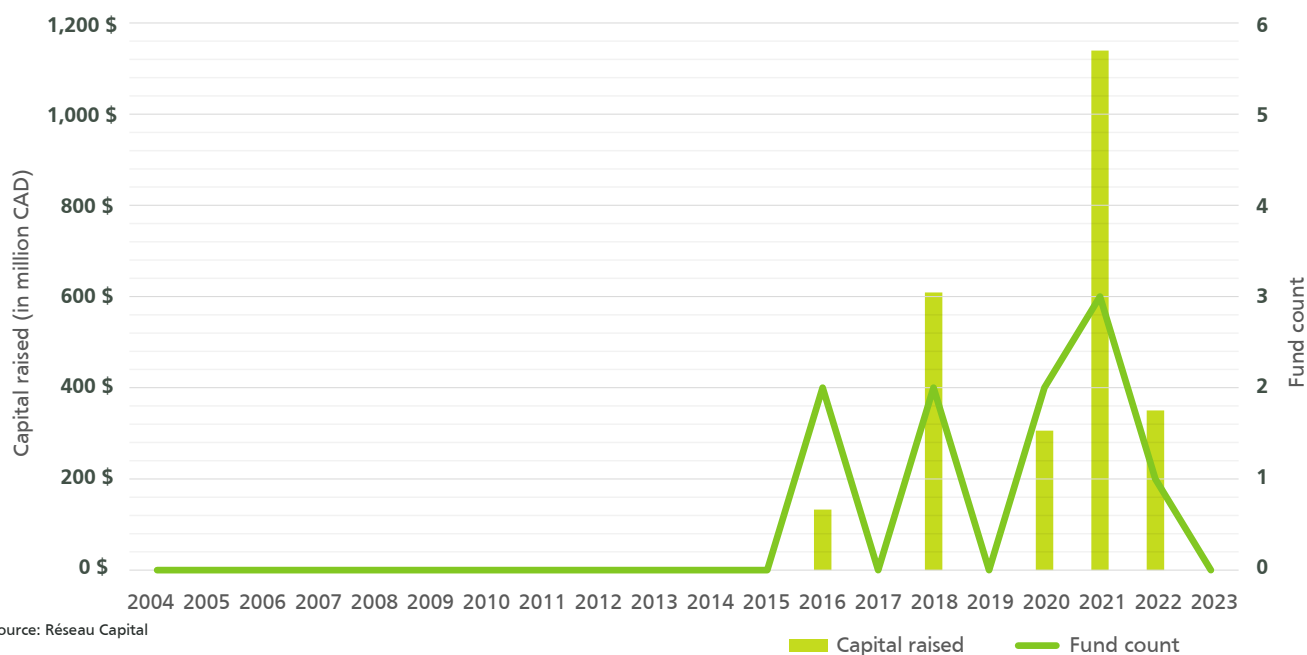
In total, 10 independent private funds were closed between 2004 and 2023, collectively amassing \$2.54 billion, representing 13% of the fund count and 30% of the capital raised across all stages. During the 2016-2023 period, these proportions increased to 19% and 39%, respectively.

A series of indicators highlight the evolution of the later-stage fund landscape over this period:

- Later-stage funds emerged relatively late, coinciding with the industry's maturation. Of these 10 funds, 4 are established, and 40% are notably larger, breaking through the \$200 million ceiling that the industry had previously been unable to surpass ([Graph 38](#));
- The number of active managers remains limited, totaling 5 by the end of the period, including two established managers ([Table 25](#));
- Two of these funds are Fund 1s ([Table 26](#)), indicating that two managers entered the market by directly raising later-stage funds. The remaining 3 are early-stage funds that subsequently raised later-stage or growth funds.

GRAPH 37

Later-stage: Number of funds and capital raised (\$M) per year (2004-2023)



Source: Réseau Capital



TABLE 25

Later-stage: Number of funds raised and active managers by period

	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	AVERAGE	NO. OF NEW FUNDS ESTABLISHED (4+)	NO. OF ACTIVE MANAGERS AT END OF PERIOD	NO. OF ACTIVE MANAGERS AT END OF PERIOD
2004-2012		-\$	-\$	0	0	0
2013-2015		-\$	-\$	0	0	0
2016-2018	4	741 \$	185 \$	1	3	1
2019-2021	5	1 445 \$	289 \$	3	4	2
2022-2023	1	350 \$	350 \$	0	5	2
Total	10	2 537 \$	254 \$			

GRAPH 38

Later-stage: Distribution of funds raised by year and fund size

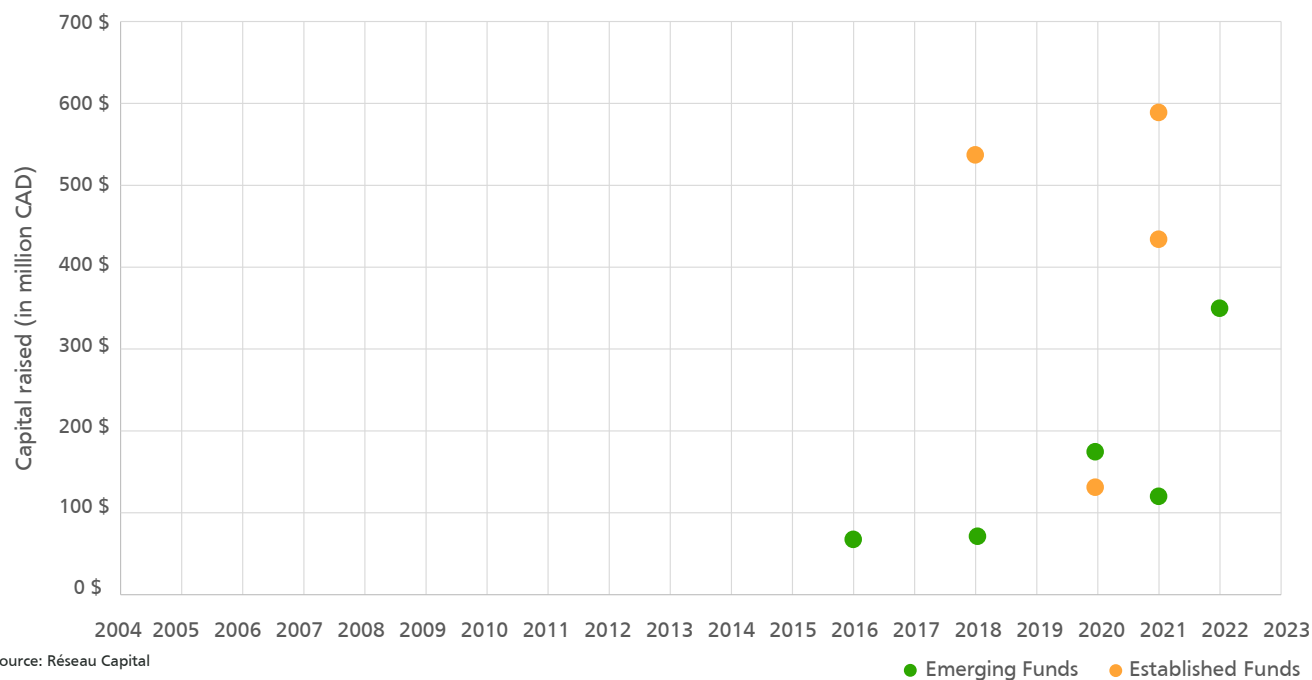


TABLE 26

Later-stage: Number of funds raised by fund number and period

LATER-STAGE	FUND NUMBER				TOTAL
	1	2	3	4+	
2004-2006					0
2007-2009					0
2010-2012					0
2013-2015					0
2016-2018	1	1	1	1	4
2019-2021		1	1	3	5
2022-2023	1				1
TOTAL	2	2	2	4	10



b) Sources of capital

We obtained a distribution of funds raised by category of Limited partners (LP) for 9 out of the 10 later-stage funds accumulated between 2004 and 2023, representing 90% of the fund count. The classification of Limited partners (LP) categories aligns consistently with the broader industry's categorization framework.

Graphs 39 and 40, along with Table 28, reveal the following insights:

- Total capital raised by later-stage funds increased steeply during the 2016-2022 period (Graph 39) and was predominantly financed by private capital sources. Over the entire period, these sources accounted for 64% of total funds raised (Table 27).
 - 16% from private venture capital investors based in Québec.
 - 20% from private investors from the rest of Canada.
 - 28% from private international investors.
 - 4% from GPs.
- 5 out of the 9 funds have solely private sources of capital (Graphs 40 and 41).
- For the remaining funds, the level of private financing ranges between 45% and 60%.
- Quebec-based Public or para-public funding represent 23%, 6% from the rest of Canada (ROC), and 3% from VCAP/VCCI.

GRAPH 39 Later-stage: Average annual⁹ capital raised by period and by category of Limited partners (LP)

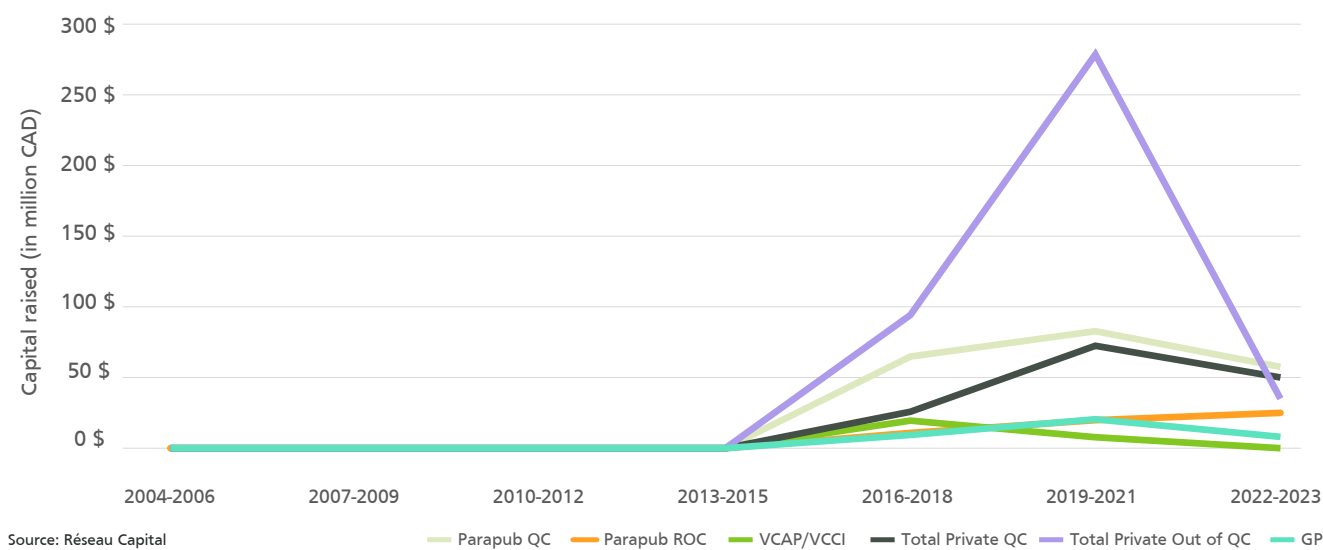


TABLE 27 Later-stage: Distribution of funds raised by category of Limited partners (LP)

	NO. OF NEW FUNDS	MONTANTS LEVÉS (EN M\$)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2022-2023	1	350 \$	33%	14%	0%	28%	20%	5%	100%

Table 28 shows that private financing, primarily sourced from outside Quebec, tends to rise in alignment with the fund number. VCAP/VCCI financing is exclusively focused on established funds, specifically those classified as fund 4 and above.

⁹The annual series of capital raised is subject to considerable inter-annual variations, which is why we have chosen to represent the averages by period to make the Graph easier to understand.



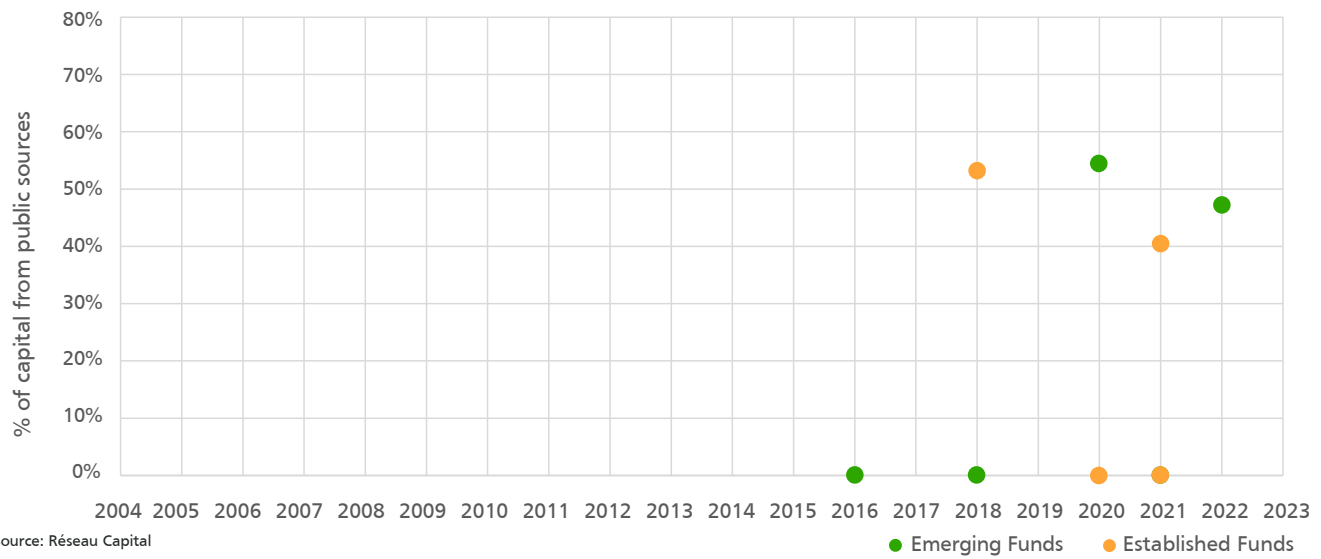
TABLE 28

Later-stage: Distribution of funds raised by category of limited partner and fund number

LATER-STAGE							
FUND NUMBER	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
1	33%	14%	0%	28%	20%	5%	100%
2	23%	17%	0%	17%	39%	4%	100%
3	0%	0%	0%	22%	77%	1%	100%
4 et +	23%	3%	5%	13%	52%	5%	100%

GRAPH 40

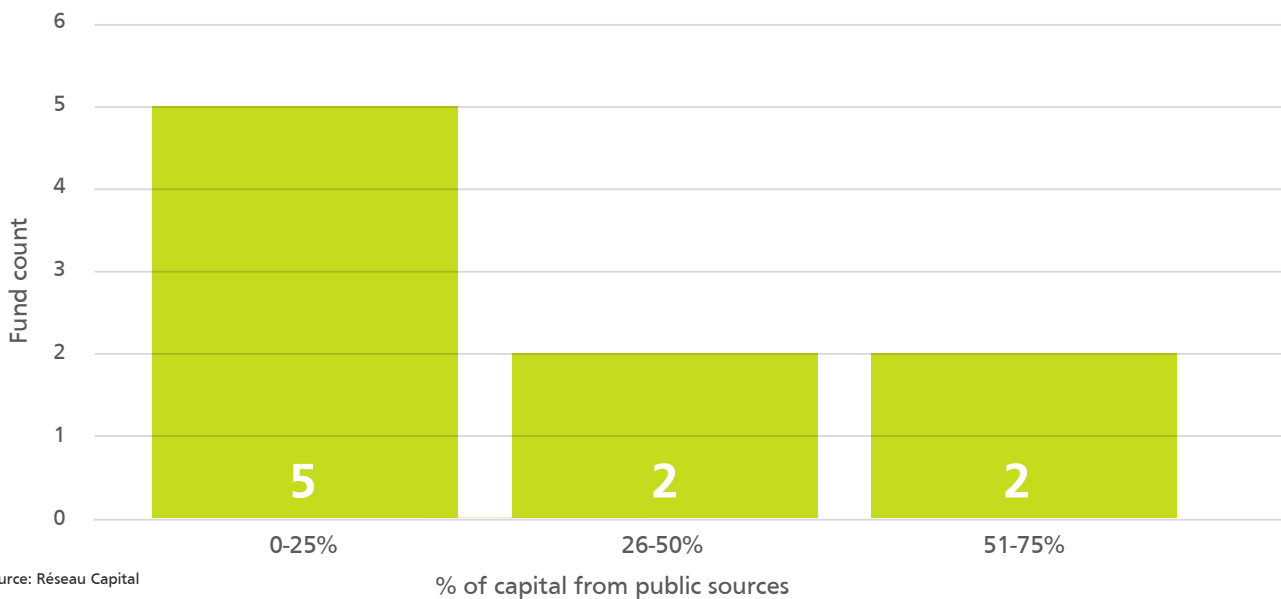
Later-stage: Distribution of funds by year of closing and % of public funding



Source: Réseau Capital

GRAPH 41

Later-stage: Distribution of funds according to public funding share (2004-2023)



Source: Réseau Capital



As of 2016, the rise of Quebec-based later-stage funds signifies a pivotal advancement in the maturation of the Quebec venture capital financing chain.

These funds range from managers entering the market directly by raising later-stage funds to early-stage fund managers expanding their investment portfolios to include later-stage funds.

Public and para-public funds play a considerably diminished role compared to other stages, highlighting the increased capability of managers to secure funds from private investors.

Mainly, these large size funds address a crucial gap in the Quebec financing chain, which, for later and larger funding rounds, often necessitates capital from outside Quebec, primarily from the United States. Despite their importance, the number of these funds and the number of active Quebec-based later-stage managers remains limited. No later-stage funds were raised in 2023, and the cyclical downturn has exacerbated the challenges of raising funds from private sources.





4. Conclusion

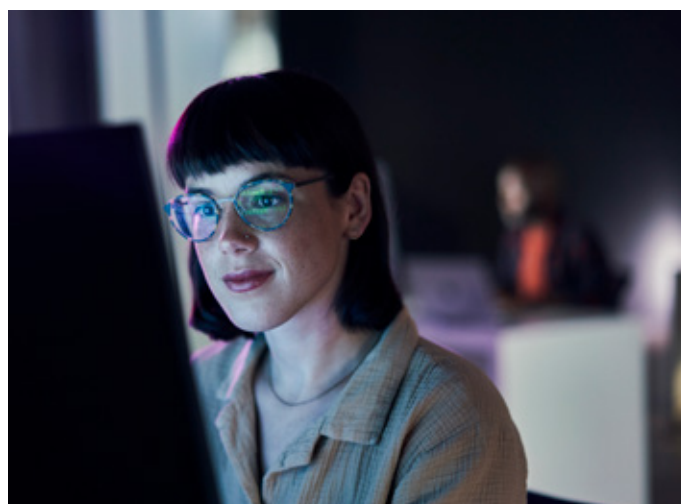
A demographic analysis of Quebec-based private venture capital funds and their capital sources reveals substantial progress since the early 2000s, aligning with the goals articulated in the Brunet report. This includes growth in the number and size of funds, the increase in the number of managers and established managers, and the diversification of capital sources.

Particularly, this maturation process has been remarkably continuous, period after period, demonstrating a significant degree of consistency in the policies and efforts implemented.

Quebec-based Public and para-public funding has played a pivotal role in developing this ecosystem. While their relative share has decreased, their contribution remains profoundly significant.

The second major conclusion of this study is the ecosystem's continued fragility, as most managers remain heavily dependent on public and para-public funding. Only a minority have evolved into established managers capable of primarily securing financing from private sources within Quebec, Canada, and internationally.

What are the necessary strategies to accelerate the industry's maturation and transition towards greater independence from public and para-public funding? These questions were integral to the interviews conducted, the results of which are presented in the following section.





5. Interview results

The findings of the study «Évolution de l'industrie privée de capital de risque au Québec et de ses sources de capital (2004-2023)» were presented and deliberated upon with 13 distinct groups: the MEIE, 4 institutional Limited partners (LP), 5 IT fund managers, 2 life sciences fund managers, and 1 CleanTech fund manager.

The main topics of discussion were as follows:

- General comments on the study's conclusions
- The current fundraising environment
- Critical success factors for increasing and diversifying capital sources
- Challenges faced
- The role of public and para-public financing
- Sector-specific characteristics
- The seed funding landscape
- Additional remarks and recommendations

The primary conclusions drawn from these discussions have been synthesized in the following paragraphs, delineating pathways for further exploration, which can be discussed upon and adopted by the various stakeholders involved in this study.

a) General comments on the study's findings

The people we met were generally in agreement with the findings of the study and the way it is interpreted, both in terms of the progress that has been made and the road still to be travelled.

The respondents generally concurred with the study's findings and interpretations, acknowledging both the advancements achieved and the challenges that remain.

b) Current fundraising environment

There is also consensus on the current difficulties in raising funds, mainly from private sources. The low level of exits, distributions and liquidity problems encountered by institutional investors («denominator effect») are combining with falling returns on venture capital to reduce limited partners' appetite for venture capital and drive them back to the more established funds («flight to quality»).

Some fundraisings have been compromised. Others have had to ask for extensions or revise their targets downwards. The public sector is set to play a bigger role.

c) Critical success factors for increasing and diversifying capital sources

Established managers who have successfully raised larger funds and diversified their sources of capital were questioned on the elements they believe facilitated this progress. We also sought insights from other managers regarding the elements or strategies that could accelerate the diversification of their fundraising efforts.

The same questions were put to institutional investors (LPs), who witnessed the progress and challenges encountered by the various fund managers in scaling their platforms and broadening their funding base.



The following insights emerged:

- a. Internationalization is a key element. It generally unfolds in stages and through several interrelated dimensions:
 - Achieving substantial scale necessitates raising funds beyond Quebec and Canada.
 - This requires an international presence: deal-flow and investments, strategic locations, team talent and networks, and the utilization of specialized resources (venture partners, investor relations) with international expertise and connections.
 - To realize this, a clear and ambitious vision is required, along with the investment necessary to implement it: investing in the team to enhance talent and networks, investing in international locations, and investing in dedicated, experienced resources, including investor relations, among others.
- b. The second dimension, related to the first, is team talent, expertise, and networks. Interviewees highlighted that investing in building and strengthening the team (both in size and level) must, to some extent, precede or occur simultaneously with expansion: fund size, platform growth, international deployment, etc.
- c. The third dimension is entrepreneurship. VC firms themselves operate as startups, and their success depends on:
 - The management team's vision
 - The entrepreneurial mindset of the management team, which has two aspects:
 - i. Entrepreneurial experience and talent, which add value to the investment business.
 - ii. The willingness to take personal risks, including financial ones, to develop a new business line within the VC firm.

Certain VC firms feature, notably profit-sharing, are likely to reinforce this entrepreneurial spirit and attract entrepreneurial profiles. Several of the managers we interviewed consider themselves financial entrepreneurs.

These three dimensions reinforce each other in a virtuous circle.

Other elements were also highlighted as success factors:

- Specialized teams and investment strategies, which are more likely to attract high-quality deal flow and certain limited partners, including corporates, family offices, and high-net-worth individuals (strategic dimension, knowledge sharing).
- Providing attractive co-investment opportunities is a compelling argument for drawing in private investors.
- Building a «platform» capable of supporting companies from inception to exit is an attractive factor for deal flow.

More specific points include:

- Securing a major institutional anchor investor, both as a sponsor and for co-investments.
- Benefiting from the support of prominent private financial groups capable of investing in the fund, sharing their network of high-value contacts, exerting significant influence on other family offices and high-net-worth individuals, and potentially offering synergies with other components of the group.

Finally, it was emphasized that individual and collective efforts to «sell» Canada and Quebec to Canadian and international Limited partners (LP) is a significant factor in raising the industry's profile.



In this regard, some interviewees found it encouraging that, with the emergence of larger investment opportunities, large Canadian pension funds are making a tentative return to Canadian venture capital (direct investments and funds).

d) Challenges faced

- Several respondents observed that a significant portion of managers remains profoundly reliant on public and para-public funding, with minimal indication of strategies to mitigate this dependency.

This issue resonates with the bimodal characteristic apparent in the statistical analysis, where the majority of funds and managers continue to be substantially dependent on public and para-public funding, while a minority primarily rely on private sector financing. While some managers are delineating and demonstrating the success factors for augmenting and diversifying capital sources, charting a course toward greater self-sufficiency, others appear distant from achieving this, instead expressing desire for enhanced public funding support to foster their growth and independence.

- The limited size of funds has been identified as a barrier to the expansion and diversification of capital sources, constraining their capacity to attract expertise and support companies throughout their lifecycle.

On the other hand, there are instances of highly entrepreneurial teams with significant expertise initiating operations with relatively small funds, partially financed by public and para-public sources, and swiftly demonstrating their capability to secure larger funds and diversify their capital sources.

- Another frequently cited challenge is the intra-provincial clause, the so-called «Quebec clauses», which may deter private investors from outside the region and impede the internationalization process.

However, fund managers who secure a majority of private funds assert that a minority of public funds with Quebec clauses do not present a significant issue, as their local deal-flow sufficiently meets these requirements.

The challenge is more pronounced for smaller funds that rely predominantly on public or para-public funds with Quebec clauses, such as certain seed funds, which are thereby compelled to invest almost exclusively within Quebec, making the pursuit of internationalization and diversification of capital sources exceedingly difficult.

e) The role of public and para-public financing

The beneficial impact of public and para-public financing has been highlighted on numerous occasions:

- As the principal source of capital for numerous managers.
- As an anchor investor for new strategies (e.g., ClimateTech, MedTech), including those managers who predominantly secure their funding from private sources.
- As a catalyst and facilitator for the professionalization of VC firms (in areas such as governance, due diligence, and benchmarking), positively influencing other private investors, particularly family offices and high-net-worth individuals.
- As a stabilizing force for financing during cyclical downturns.



The constructive role of VCAP/VCCI has been notably acknowledged, especially in the sector of information technology. In contrast, the delay experienced by funds of funds from the most recent VCCI cycle in closing their funds and resuming financing has been observed to negatively affect fundraising efforts. Further observations include:

- VCAP/VCCI's focus is predominantly on established funds, with considerably less involvement in emerging funds.
- Its engagement in life sciences is sparse, and it is virtually absent in CleanTech.

The role of the Caisse de Dépôt et de Placement du Québec (CDPQ) in fostering the development of a major platform has been underscored.

f) Sector-specific characteristics

Life Sciences

The interviews underscored that the life sciences sector has witnessed numerous successes and significant exits over the past two decades. Despite these achievements, the ecosystem of Quebec-based life sciences venture capital funds remains relatively fragile:

- A limited number of managers.
- Funds of insufficient size, resulting in foreign funds, predominantly American, capturing most of the value from success stories.
- A deficiency in specialized life sciences investment teams and a low level of expertise among most Quebec-based allocators.

In response to this situation, a strategy has been adopted to complement the ecosystem with funds from external sources: TVM, Sanderling/Therillia, Forbion, Sofinnova, Versant, Admare, Theodorus, and Genesys. Many of these funds have established offices, positioned part of their teams in Quebec, and engaged with the Quebec deal-flow.

The interviews highlighted the critical importance of having specialized teams and dedicated allocations within the principal Limited partners (LP) active in Quebec.

It was recommended that a strategic working group be established to fortify the life sciences ecosystem.

CleanTech

The CleanTech sector is less attractive to institutional investors due to longer time horizons, delayed distributions, and less appealing risk/return prospects. However, it holds greater interest for corporates investors for strategic reasons. Consequently, some European funds have avoided attracting financial institutional investors.

To appeal to strategic investors, differentiation through a specific investment thesis or theses supported by robust expertise (team expertise and networks of venture partners and limited partners) is key. Attracting corporates as partners in fund management is an asset.

Attracting the right expertise to portfolio companies is also a success factor. Given the rarity and specialization of this expertise, extensive international networks are required.

By occasionally maintaining too local a vision, the Quebec ecosystem deprives itself of these resources, resulting in slower growth for its companies compared to those elsewhere.



g) The seed funding landscape

In various ways, all interviewees highlighted the disappointing outcomes of the multiple efforts initiated since 2016 to finance seed funds: some initiatives had to be discontinued, others ceased after the first fund, and only a few advanced beyond the second fund. A thorough postmortem analysis is yet to be conducted. It was recommended to develop a strategic plan for the next decade, with a clearly defined objective.

Interestingly, several interviewees converged on a specific recommendation: it is crucial to mentor and coach new managers. The following examples were highlighted:

The work done by Inovia with Luge Capital, Front Row Ventures, and through the Discovery fund

Cycle Capital's incubation efforts with Cycle Momentum, Cycle H2O Ventures, and Origo.

Several individuals shared highly positive experiences with VCLab (<https://govclab.com/>) in terms of learning the trade (structuring a portfolio and managing a firm) and networking with international peers. One interviewee even remarked, "Going through VCLab should be a requirement for winners of the seed fund competition."

GP Academy, the program launched by the BDC in partnership with the Kauffman Foundation, received positive mentions as well. However, it was noted that GP Academy has a more corporate focus and is less targeted at seed stage managers.

¹⁰ Another mentioned: «just to benefit from the network via collaboration platforms (Slack, Teams and etc.) the experience is worth it».



Seed specific funds remain a challenge not only in Quebec but across Canada. According to several interviewees, no Canadian manager specializing in seed funding has yet discovered the winning formula for success.

h) Additional remarks and recommendations

In addition to the points already discussed, the following comments and recommendations were made:

- There is an unprecedented level of consensus among institutional investors in Quebec: they should establish common objectives that leverage Quebec's strengths, unique specializations, distinctive deal-flow, etc.
- Recommendations for new managers:
 - Striking the right balance between institutional investors and family offices, as well as high-net-worth individuals. To achieve this diversification for a new manager, a high volume of pitches is a requisite step.
 - Assembling a cohesive, complementary, and competent team where all members share the same vision.
 - Bearing in mind that the fund management profession has its own peculiarities and barriers to entry. The fundraising process for a first fund can be lengthy (over 18 months), so initial revenues for managers can also take some time. To succeed, it's crucial to have the right resources and a long-term vision.
 - Making the first closing of your initial funds as low as possible to start building the portfolio and attract other investors in subsequent closings.
 - Starting with a «fund 0» (investments akin to angel investments) to build the performance track record, at least in terms of deal-flow.
 - Arriving with a differentiating angle: investment strategy, specialization, international dimension, etc.
 - Reinvesting carried interest in the next fund to increase the portion of your GP commitment. Arriver avec un angle différenciateur : stratégie d'investissement, spécialisation, dimension internationale, etc.



Appendix 1: Methodological note

Data sources:

Items reviewed include:

- Preferred fund stages
- Funds' preferred sectors
- Year of fund closing
- Fund size
- Fund location

Data was collected from research partners, who completed individual forms. The collected data was then aggregated and reconciled by the Réseau Capital team.

Categories of capital sources:

Primary Categorization: Defines the initial categories employed during data collection.

Secondary Categorization: Denotes a subsequent aggregation of the data for comprehensive analysis.

PRIMARY CATEGORIZATION	SECONDARY CATEGORIZATION
Invest Québec Mandatory Program	Quebec para-public investors
Invest Québec Equity Funds	Quebec para-public investors
Tax-advantaged funds (FSTQ, Fondation, CRCD)	Quebec para-public investors
Teralys (before VCAP/VCCI)	Quebec para-public investors
Teralys (after VCAP/VCCI)	VCAP/VCCI
CDPQ	Quebec para-public investors
Federal government (BDC, EDC)	ROC Para-public investors
Other funds of funds (VCAP/VCCI)	VCAP/VCCI
Other Quebec investors	Quebec Private Investors
Other provincial governments	ROC Para-public investors
Other investors from Rest of Canada	Canadian Private Investors
Other international investors	International Private Investors

The dates used for closing funds:

The funds collected have a closing date between 2004 and 2023.



The values used for fund sizes:

Fund sizes were collected in native currency. For funds not raised in Canadian dollars (CAD), the following conversion factor was applied:

- USD = 1,3
 - This is the Bank of Canada's median annual rate over the period 2017 to 2022.¹¹

Constant value:

The GDP deflator was used by the Center of Expertise. The table from the following source, taken from the World Bank website and dating from the reference year 2022, was used to put the fund sizes in constant value. Data are thus expressed in constant 2022 dollars: [Déflateur du PIB \(année de référence varie selon les pays\) -, Canada | Data \(banquemondiale.org\)](https://data.banquemondiale.org/indicators/NY.GD.DT.DL?locations=CA)

Classification for the industries:

The funds identified have a single category. Fund categorization was based on each fund's investment thesis and on the investment, preferences associated with each fund on PitchBook.

Fund categorization was carried out by the Réseau Capital team. The nomenclature used for each fund was then validated by one or more partners.

It's important to note that these categories can sometimes overlap, so the Centre d'expertise gave precedence to the «Life Sciences» and «CleanTech» categories.

The methodology employed is based on the categorization used by CVCA. Réseau Capital translates terms and information from English into French.

CVCA classifies the sectors in which the companies listed operate according to the following four categories:

1. **ITC (Information, Technology and Communication):** This category includes all companies that produce computer hardware or software, or offer software-related services, Internet services or e-commerce. Also included in this category are companies operating in the fields of electronics, semiconductors, cell phones and telecommunications.
2. **Life Sciences:** This category includes all companies operating in the fields of biotechnology, medical devices, pharmaceuticals, e-health, healthcare products and services, and all other medically related products and services.
3. **CleanTech:** This category includes all companies operating in the fields of energy and fuel technologies, energy efficiency and conservation, renewable energies, environmental technologies and all other energy and environmental products and services.
4. **Others:** This category includes all companies that have received venture capital financing but do not meet any of the above categories.

¹¹ https://www.bankofcanada.ca/rates/exchange/annual-average-exchange-rates/?theme_mode=light



Nomenclature for investment stages:

The stages identified are those advocated by the fund in its investment thesis.

Réseau Capital employed the nomenclature from its Lexicon to delineate these stages. According to the lexicon, the stages are defined as follows:

Seed

First phase in the creation of a company. In the innovation chain, this stage follows patent filing, if applicable, and the proof-of-concept stage. Funding is provided for research, evaluation and development of an initial concept.

Early-stage

The company is at the very beginning of its activity. For companies with a high technological or scientific content, financing is often aimed at product development or the validation or maturation of a technology. For companies in medium- or low-tech or more traditional sectors, financing is often aimed at early-stage commercial and industrial activity. This type of round is usually categorized by the letter «A» or «B» (e.g. Series A).

Later-stage

The company has already completed product development but is not generating significant profits. For companies with a high technological or scientific content, the technological risk is normally significantly reduced, but the commercial risk is very high. Biotech companies, on the other hand, are generally involved in clinical trials. As for companies in medium- or low-tech sectors, or in more traditional sectors, they are generally at the stage of developing commercial and industrial activity prior to achieving sustained profitability. This type of round is usually categorized by a letter following the letter «B», i.e. «C» and following (e.g. Series C).

Partners involved in information gathering:

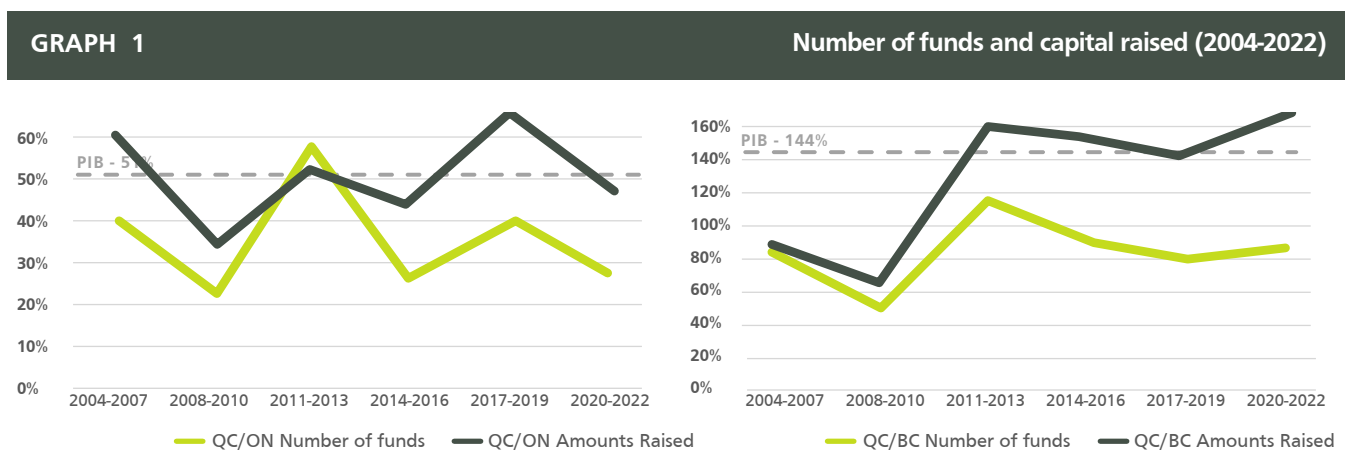
- Invest Québec
- Teralys
- Fondation FSTQ
- CDPQ
- Inovia Capital
- White Star Capital
- TandemLaunch
- Triptyq Capital
- Sectoral Asset Management
- Diagram Ventures
- Brightspark Ventures
- Innovobot Resonance Ventures
- Cycle Capital
- FrontRow Ventures
- Esplanade Ventures
- Real Ventures

Appendix 2 : Comparison with Ontario and British Columbia

The following appendix offers a comprehensive analysis of data extracted from PitchBook regarding the number of funds headquartered in Quebec, Ontario, and British Columbia, as well as the capital they have raised from 2004 to 2022.

Utilizing the same periodization as outlined in the main study, Table 1 and Graph 1 illustrate the evolution of the QC/ON and QC/BC ratios for the number of funds raised and the total capital raised across each sub-period. These ratios should be juxtaposed with the GDP ratios for the entire 2004-2022 period, which stand at 51% for QC/ON and 144% for QC/BC.

	QC/ON			QC/BC		
	FUND NUMBER	AMOUNTS RAISED	AVERAGE PER FUND	FUND NUMBER	AMOUNTS RAISED	AVERAGE PER FUND
2004-2007	40%	61%	152%	86%	92%	107%
2008-2010	23%	33%	141%	50%	65%	131%
2011-2013	57%	52%	91%	114%	160%	140%
2014-2016	26%	43%	166%	92%	153%	167%
2017-2019	41%	66%	162%	80%	141%	176%
2020-2022	28%	46%	163%	88%	166%	190%
Total	33%	50%	153%	86%	139%	163%



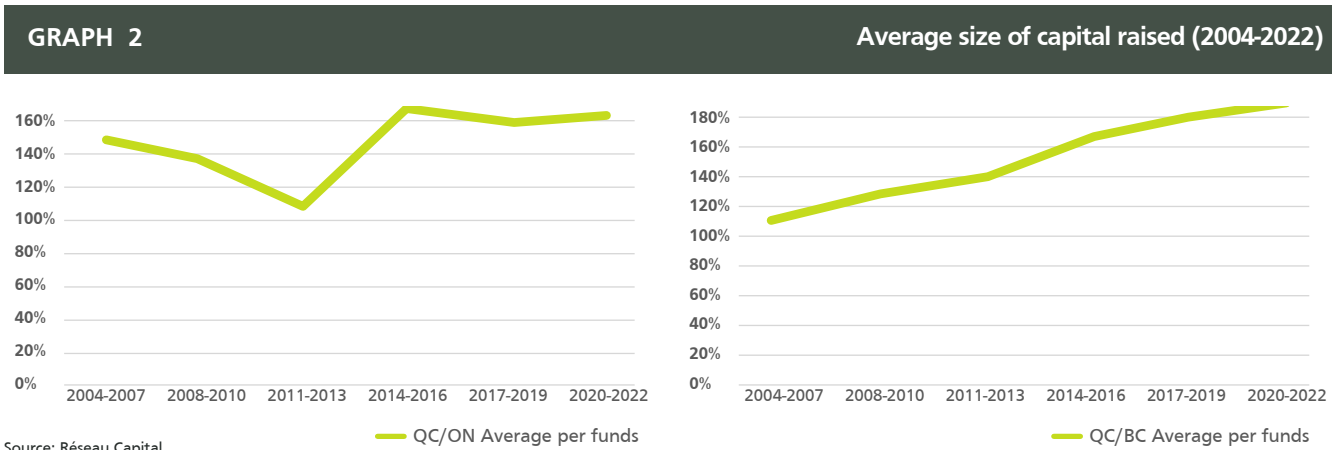
Source: Réseau Capital

When adjusting for the relative size of the economies, it becomes evident that the number of funds raised in Quebec is comparatively lower than in Ontario and British Columbia, especially during the 2014-2022 period, which saw robust industry expansion across Canada. In terms of the number of funds, this growth was more pronounced in Ontario and British Columbia than in Quebec.



However, regarding capital raised, Quebec's relative contribution aligns closely with its economic weight. This can be attributed to the fact that the average fund size in Quebec is larger than those in Ontario or British Columbia (Graph 2).

In summary, during the 2014-2022 expansion period, Quebec raised a relatively smaller number of funds compared to the other two provinces, yet these funds were, on average, larger in size.

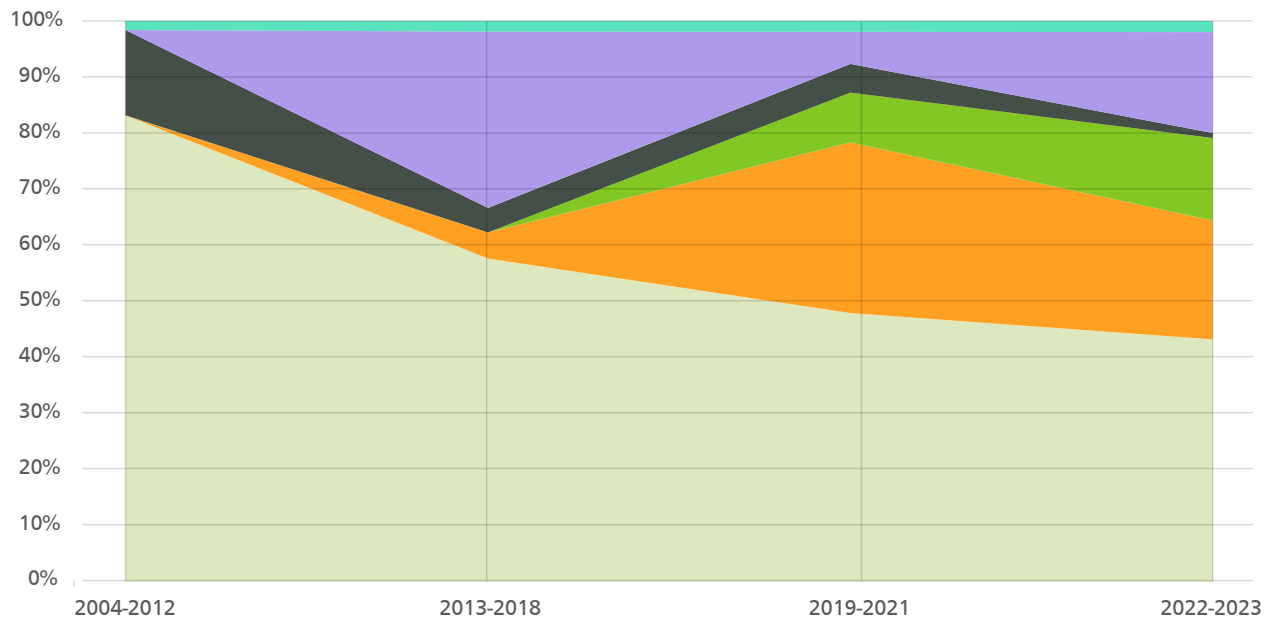


Appendix 3: Québec-based life sciences funds with at least one investment in Québec

TABLE 13b **Life Sciences: Distribution of funds raised by category of Limited partners (LP) and by period (funds that have made at least 1 investment in Québec)**

	NO. OF NEW FUNDS	CAPITAL RAISED (IN \$M)	PARAPUB QC	PARAPUB ROC	VCAP/VCCI	TOTAL PRIVATE QC	TOTAL PRIVATE OUT OF QC	GP	TOTAL
2004-2012	2	141 \$	83%	0%	0%	15%	0%	2%	100%
2013-2018	3	322 \$	58%	5%	0%	4%	31%	2%	100%
2019-2021	3	362 \$	48%	30%	9%	5%	6%	2%	100%
2022-2023	2	362 \$	43%	21%	15%	1%	18%	2%	100%

GRAPH 16b **Life Sciences: Percentage of funds raised by category of Limited partners (LP) and by period (funds that have made at least 1 investment in Québec)**



Source: Réseau Capital

Parapub QC Parapub ROC VCAP/VCCI Total Private QC Total Private Out of QC GP



Appendix 4: Interview questions and interview list

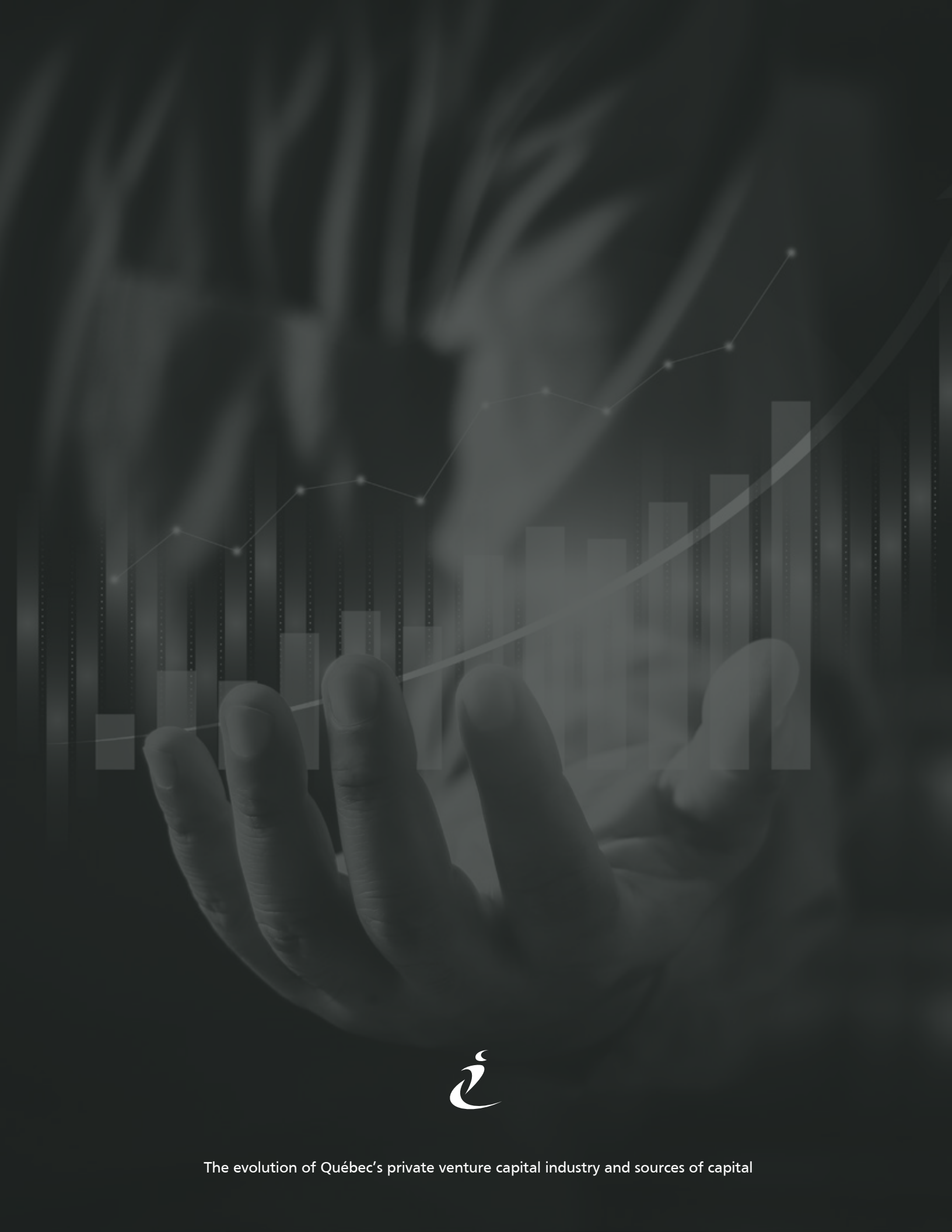
Questions for the interviews

1. Comment on these initial results
 - Strength and limits to the growth of Quebec's private venture capital industry.
 - Comments by sector and by stage

2. Recommendations to accelerate the move towards a thriving, sustainable industry.
 - Conditions for success in raising funds and opening up sources of capital.
 - Obstacles.
 - Potential areas for improvements

List of interviews

ORGANIZATION	PERSON	TITLE
Amplitude Ventures	Jean-François Parizeau	Associé
Sagard Holdings	Guillaume Marion	Associé, Formation des capitaux
Investissement Québec	Benoit Leroux	Vice-Président, Fund d'investissement
Inovia capital	Patrick Ghoche	Chef de la direction financière
Inovia Capital	Isabelle Audette	Vice-Présidente marketing et communications
Brightspark Ventures	Jacques Perreault	Associé
Teralys	Jacques Bernier	Associé Principal
Triptyq Capital	Guillaume Therien	Associé Directeur
BCD Capital	Afsha Sayyad	Stratégie
BCD Capital	Sumita Banerjee	Directrice
Cycle Capital	Andrée-Lise Méthot	Fondatrice et associée directrice
Ministère de l'Économie, de l'innovation et de l'Énergie (MEIE)	Isabelle Gaudet	Directrice, Direction générale de la commercialisation et de l'investissement en innovation
Ministère de l'Économie, de l'innovation et de l'Énergie (MEIE)	Kim Chapados	Conseillère experte en capital d'investissement, Direction de la valorisation et du capital d'investissement
Ministère de l'Économie, de l'innovation et de l'Énergie (MEIE)	Martin Houle	Directeur, Direction de la valorisation et du capital d'investissement
Fund de solidarité du Québec (FSTQ)	Maxime Pesant	Directeur, Placements Private et investissements d'impact
Fund de solidarité du Québec (FSTQ)	Danny Gagné	Directeur, Placements Private et investissements d'impact
Whitestar Capital	Jean-François Marcoux	Co-Fondateur et Associé Principal



The evolution of Québec's private venture capital industry and sources of capital