

# Dow Jones VentureWire

MONDAY, FEBRUARY 22, 2010

© 2010 Dow Jones & Company, Inc. All Rights Reserved.

## OrbiMed Closes Its Largest-Ever Health Care Fund At \$550M

**Brian GORMLEY**

OrbiMed Advisors has secured \$550 million for its largest-ever health care venture capital fund, the firm told VentureWire.

OrbiMed, which began raising Caduceus Private Investments IV LP last summer, held a final closing on Feb. 22 - a fast turnaround at a time when many firms are struggling to raise capital. OrbiMed raised 80% of the new partnership from existing limited partners and the rest from new investors, General Partner Jonathan T. Silverstein said.

The firm did not name its limited partners, but one new backer, INext Fund LP, a fund of funds, disclosed its commitment late last year. The firm raised slightly less from university endowments this time because of the financial crisis, said Carl L. Gordon, a founding general partner. Even so, the new fund surpasses its \$530 million predecessor, which closed in 2006.

Corporate and municipal pensions stepped in to increase their investment compared to previous funds, according to Carter Neild, a general partner. Pensions were not as heavily weighted in private equity and venture capital, he said. As a result, the market volatility did not upset their asset allocations as much as it did for endowments and foundations.

"We were fortunate that our LPs believed we are able to take advantage of what looks to be a very interesting investment environment," Gordon said.

OrbiMed originally targeted \$500 million, but later asked limited partners for permission to increase the hard cap to \$550 million because of strong investor interest, Silverstein said. It plans to invest 60% of the fund in biotechnology, 30% in medical devices and 10% in diagnostics, backing 25 to 30 companies overall.

Caduceus IV is one of the larger health care-only venture funds. Other big life sciences funds include Frazier Healthcare Ventures' \$600 million sixth fund and Essex Woodlands Health Ventures' \$900 million eighth fund.

A string of successful exits drew investors to OrbiMed's new offering. They include CoGenesys Inc., which sold to Teva Pharmaceutical Industries Ltd. in 2008; Cerexa Inc., acquired by Forest Laboratories Inc. in 2007; and Peninsula Pharmaceuticals Inc., bought by Johnson & Johnson in 2005.

Investors may also appreciate the firm's long reach. With headquarters in New York and offices in San Francisco, Shanghai and Mumbai, Silverstein said OrbiMed can invest anywhere in the world and at any stage. In addition to its venture funds, the firm also manages health care mutual funds, hedge funds, closed-end investment trusts and structured-finance funds.

These funds help the venture team evaluate deals in a broad context. If the venture group were considering a hepatitis C drug-maker, Silverstein said, they could turn to the public-market investors for insight into the hepatitis programs of pharmaceutical and big biotech companies, for example.

The capital pools also give OrbiMed the potential to profit at various stages in a company's life. The firm, for instance, made venture investments in Given Imaging Ltd., LifeCell Corp. and Abgenix Inc. and cashed out after they went public. Then its public-market funds came in with new investments.

To avoid conflicts of interest, the firm only invests one fund in a company at a time. But its ability to support a business as it matures appeals to chief executives, Silverstein said.

"It's attractive to CEOs to know that if

you perform, you have a funding source that could be with you for 20 years," he said.

OrbiMed expects to make 60% of its investments in mid-stage businesses with good proof-of-concept data, 20% in PIPEs and 20% in early-stage companies.

"We're incredibly selective on the early-stage [companies]; we're looking for very interesting science and novelty," Silverstein said. "We're willing to make a bunch of small bets, over-fund our winners and kill our losers early."

While OrbiMed seeks innovation, it is also looking for products with appeal to strategic acquirers. With capital often hard to come by, the partners said they do not want companies to rely solely on financial investors.

"OrbiMed is going to continue to try to bridge novelty and commercial reality," Gordon said. "Overall, we're trying to find companies that are innovative, but also of strategic value to industry."

Another way it's looking to reduce financing risk is by assembling syndicates that can fund companies to important milestones. If a biotech concern seeks capital for a Phase IIa study, for instance, it may look to round up enough investors to carry the company to Phase IIb or even Phase III trials, Gordon said.

In addition to Neild, Gordon and Silverstein, the OrbiMed team includes founding General Partner Michael B. Sheffery; private equity partners Robert Glassman and Samuel P. Wertheimer; Venture Partner Klaus Veitinger; principals David Bonita, Rishi Gupta and Chau Q. Khuong; Senior Associate David M. Darst; and Entrepreneur In Residence Thomas J. Schuetz. Samuel D. Isaly is founder and managing partner of the firm.