

The Swiss venture capital gap and the Zukunftsfonds debate

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Although Switzerland is one of the most innovative countries in the world according to international rankings, its venture capital market is small relative to the size of its economy and its research output. The annual Swiss Venture Capital Report shows that a large share of the capital raised by Swiss start-ups in later rounds comes from foreign investors.¹ Swiss pension funds, which manage assets of more than one thousand billion francs, invest only a very small share in venture capital. The investment rules for pension funds and the funds' own risk aversion are often cited as reasons. When companies founded in Switzerland grow, a significant part of the value created therefore accrues to foreign investors.

This finding has prompted the Zukunftsfonds Schweiz initiative, which aims to channel a small share of pension fund assets into Swiss venture capital through a fund-of-funds structure. Parliament has also discussed proposals for a Swiss innovation fund with public participation, whose political future remained uncertain at the time of writing.² Supporters argue that pension funds would benefit from the returns of the asset class and that the Swiss economy would retain more of the value of its innovations. Critics fear that political pressure might lead pension funds to take risks that do not serve the interests of their beneficiaries. Part I returns to the investment policy of pension funds.

1 Notes

1. Swiss Venture Capital Report published annually by startupticker.ch and the Swiss Private Equity & Corporate Finance Association (SECA); Global Innovation Index of the World Intellectual Property Organization, in which Switzerland has ranked first for many years. Figures to be verified. ↩

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2. On the Zukunftsfonds Schweiz initiative, the amendment of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) introducing a separate investment category for unlisted investments in Swiss companies (in force 2020), and the federal discussions on a Swiss innovation fund, see the official communications. Status to be verified. ↩

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