co-investment

Pontifax taps larger LPs hungry for co-investments for $302m Fund II close

Co-founder Ben Belldegrun says investors are eager for direct exposure to sub-sectors like biological inputs and food traceability.

By **Chris Janiec** - 1 hour ago

Co-investment potential played a key role in helping **Pontifax AgTech** increase the role of large institutions in its second fund, which exceeded its **$250 million** target to close on **$302 million** last week.

Co-founder and managing partner Ben Belldegrun told *Agri Investor* the majority of capital in **Pontifax Global Food and Agriculture Technology Fund II** came from larger institutions such as **state pension** funds, university endowments, foundations, investment firms and large-scale growers, whereas family offices were the predominate investor group within the firm's **$105 million first fund**.

The $60 million in co-investments carried out as part of the firm's Fund I strategy was among the aspects to which investors responded, said Belldegrun, which he declined to identify.

"As Fund II came around, investors were really excited about a strategy that had significant co-investment opportunity alongside the fund," he said.

“People could get direct exposure to thematic areas that they were really passionate about – whether it is biological, non-chemical crop protection or food safety and traceability – if there was something that they really liked, they knew they would probably have opportunities for direct investment.”

Of LPs in Fund II, 80 percent are US-based, Belldegrun said, with the remaining 20 percent divided between Europe, the Middle East and Asia. Many of the LPs, he added, were making their first investment into food and agtech, with some categorizing their commitment to Pontifax as part of real asset or private equity allocations and others drawing capital set aside for impact or sustainable investing.

Fund II’s inaugural investment was its participation in an **$85 million** Series C round last year for Santa Monica, California-headquartered Provivi, which offers low-cost production of pheromones that disrupt crop pests’ mating patterns.

Pontifax’s first fund included investments into farm management platform **Conservis**; UK-headquartered plant breeding company **Tropic Biosciences**; and the Bouqs Company, a farm direct flower delivery e-commerce platform.

In soliciting commitments from larger institutions, Belldregun said the firm found a warm reception for its focus on commercially established businesses with proven technologies that improve productivity, sustainability and efficiency in agriculture.

“We still saw an aversion to early-stage technology risk,” he said. “Our focus on execution with commercial-stage companies, where we could get a feel for the value proposition to a grower or customer – everything about the growth capital strategy – made people feel that this was the right risk/reward tolerance and profile.”

Co-founder and managing partner Philip Erlanger told *Agri Investor* Pontifax identified a need for growth capital in agtech soon after the firm's 2013 founding.

"With the passage of time, we have seen more and more early-stage investors coming into the space," he said. "As a result, we think there is a compelling opportunity to deploy growth capital in the sector."

Another important factor in attracting LPs to Fund II, added Erlanger, was the Santa Monica, California-headquartered firm's participation in two successful exits: the 2017 sale of ag-robotics company Blue River Technologies to John Deere for **$305 million** and the initial public offering of gene editing company Precision Biosciences at **$16 per share** in March 2019.

Both executives declined to address return expectations for Fund II, beyond Erlanger describing them as a "blend of attractive growth capital and later-stage buyout returns."