



Tim Opler
Managing Director
Biopharma

Q: Despite recent struggles, why are you optimistic about biotech's long-term future?

A: The long-term fundamentals of biotech remain incredibly strong. Demand for new medicines is growing globally, driven by rising wealth and increasing longevity. As societies become wealthier, healthcare spending naturally rises. Once basic needs are met, people prioritize health and well-being. At the same time, as people live longer, they encounter more chronic and age-related diseases, further increasing the need for innovative treatments. This creates an expanding and sustainable market for biopharmaceutical innovation.

The pace of scientific discovery is also accelerating. The number of biomedical publications has tripled since the 1990s, and the tools available to researchers are more powerful than ever. These advances are translating into real-world therapies that are reshaping how we treat cancer, autoimmune diseases, and aging. The sector's short-term volatility masks a long-term trajectory of growth and transformation.

Q: What's happening in bioinnovation right now that gives you confidence?

A: We are witnessing a true bioinnovation renaissance. Technologies like CRISPR-Cas9, mRNA platforms, and single-cell sequencing have revolutionized our ability to understand and manipulate biology. The cost of sequencing a genome has dropped from billions to under \$200, enabling personalized medicine at scale. AI is accelerating drug discovery. For example, Google recently introduced an artificial "co-scientist" that can help generate scientific hypotheses.

Our industry is delivering the medicines that patients need to live better lives and the appetite to spend money for those medicines is very much in place. Venture capital has poured into the sector, enabling startups to pursue ambitious programs and ideas. Innovation hubs around the world, from Boston to Shanghai, have become epicenters of biotech activity. The pace of innovation indicates that the sector is evolving rapidly on a global scale.

Q: If biotech is evolving globally, why is U.S. biotech underperforming?

A: While global biotech is up significantly in 2025 – 32% overall – U.S. biotech has remained flat. China's biotech sector is up 122%, South Korea 40%, and Europe 16%. The U.S., which once dominated the sector, now accounts for just over half of global biotech market cap, down from 62% at the start of the year. This shift reflects both political headwinds and investor behavior.

U.S. biotech has been hit hard by outflows from specialist hedge funds and mutual funds, and generalist investors have largely stayed on the sidelines. While M&A activity has picked up, it hasn't yet translated into a broad market rally. That said, there are signs of a turnaround. Recent positive news from European biotechs and more benign policy signals from Washington have begun to lift the general sentiment, and we expect that to continue.

Q: What trends are shaping the future of biotech?

A: Innovation is increasingly global, with breakthroughs in biotechnology and medicine emerging from vast, interconnected networks of universities, research institutes, multinational corporations, and public institutions across continents. At the same time, broader access to journals, preprints, and online scientific communities has democratized discovery, extending participation well beyond traditional elite institutions.

AI is also accelerating the pace of discovery. Machine learning models are helping scientists generate hypotheses, design experiments, and analyze data faster than ever before. This is shortening the drug development cycle and lowering costs. Together, these trends are making biotech more dynamic, competitive, and inclusive.

Q: What should biotech investors watch for in the next 5 years?

A: M&A activity is likely to remain strong as 2025 is already shaping up to be a record year for billion-dollar deals. We believe the pace of dealmaking is going to be even stronger for the rest of the year than it has been so far, signaling positive momentum for years to come. The geographic center of biotech is shifting. U.S. dominance is no longer guaranteed, and investors should look globally for opportunities.

Finally, investors should watch for scientific breakthroughs that could serve as market catalysts. Obesity, oncology, cell therapy, and aging are all areas with enormous potential. The first company to demonstrate a meaningful extension of human lifespan could become the next Nvidia. Biotech is certainly entering a new era that will reward those who stay informed, agile, and forward-looking.

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