How to invest in Britain's £78BN rival to Silicon Valley

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The weather may be hotter in California, but Chancellor Rachel Reeves is hoping the sun will shine on our own Silicon Valley – a 66-mile strip between Britain's top two universities which she believes will boost the UK economy by up to £78 billion by 2035.

In a speech in Oxfordshire last month, Reeves announced she would be delivering the Oxford and Cambridge Growth Corridor, a strip of homes, transport links and infrastructure that she says has the potential to be 'the home of British innovation'.

Her ambitious plan comes three years after Boris Johnson shelved a similar initiative, but is part of her new agenda to prioritise UK growth. Former Covid chief Sir Patrick Vallance will lead the charge in helping the area flourish scientifically and, to attract workers, thousands of new homes will be built, as well as nine new reservoirs.

Gareth Blades, analyst at biotech and tech investment specialist Amati Global investors, says the focus on infrastructure and building in the area means it stands a good chance of success.

'If you look at any of the great technology or science-to-business clusters – Silicon Valley or Taiwan's semi-conductor ecosystem – proximity of key institutions and good transportation links are key,' he says. 'I would expect a growth corridor to improve interaction, the sharing of ideas and hopefully result in more spin-outs from these leading universities.'

For UK investors, however, access to Oxford and Cambridge scientific success is hard to come by. For although our great universities and their spin-off companies make significant breakthroughs, many of them get bought out by foreign investors long before we can get our hands on them.

Growth corridor: Rachel Reeves is hoping a 66-mile strip between Britain's top two universities will boost the UK economy by up to £78 billion by 2035.

Reeves even made her speech at a lab owned by a foreign company – the Oxfordshire branch of German healthcare business Siemens Healthineers.

So can you get a slice of the £78 billion action? Here's how to find the funds and companies that will power our scientific revolution.

Backing the Builders of our corridor of power

Reeves's plan for the Growth Corridor involves several facets; significant infrastructure spending, housebuilding and a focus on making Oxford and Cambridge great places for foreign and British companies to invest in science and technology.

There's also a new cancer hospital in the pipeline for Cambridge.

All of these plans will provide work for infrastructure and building businesses, and it's possible to invest in some of these.

None of the businesses involved in building the rail line that will link the two university cities are listed on our stock exchange. But housebuilders, firms providing infrastructure services such as roads and reservoirs, and those involved in lab spaces and data centres, will benefit from the cash injection and focus on science.

In terms of infrastructure, it is good news for companies such as Costain, which is already on the ground doing clay analysis for the new Abingdon reservoir near Oxford, as well as being heavily involved in other water projects across the UK.

Joe Brent, analyst at Panmure Liberum, has a buy on Costain shares because he is bullish on UK infrastructure, with a target price of 135p on the shares which are currently at 105p.

The plan includes 4,500 new homes in Cambridge alone, as well as others along the corridor. Those looking to benefit from a housebuilding boom could look at Barratt Redrow, which produced strong figures last week.

There are hopes that Reeves's focus on removing red tape for planning will make it easier for new homes to be built, raising housebuilder profits, though there are still clouds on the horizon in the shape of highish interest rates and the cost of materials.

With a more specific laboratory building focus, the news could benefit Life Science Real Estate Investment Trust (REIT).

As its stock market code LABS suggests, it focuses on owning and renting out laboratory space to scientific businesses, and the spaces it owns include the Oxford Technology Park and the Cambourne Park Science and Technology Campus in Cambridge.

Shares in the REIT, which has had a torrid time since launch three years ago, trade at a huge discount to the supposed value of the assets it owns, and there has been a recent flurry of leasing announcements, suggesting that things might be looking up even before the Government investment.

Darius McDermott, managing director of Chelsea Financial Services, which holds LABS in its fund of funds, says that the company has had a tough time with high interest rates and wobbly economic confidence, but notes that the shares are on a discount of over 50 per cent to their net asset value at 34.3p.

'At this level, it is a recovery play,' he says.

As demand for lab space rises and interest rates fall, it is expected that its share price will rise.

Tap in to biotech that can change the world

For those who want access to the brilliant brains who Reeves hopes will make their homes on the new corridor, the choice may be harder as so many firms are privately owned or run by the universities.

However, there are some ways to buy into the science. Listed companies include AstraZeneca, headquartered in Cambridge, as well as Oxford BioMedica, rebranded as OXB, which is known for manufacturing the AstraZeneca vaccine during Covid.

OXB now focuses on a method of introducing genetic material into cells to treat diseases, and has recently acquired a business in France. Its shares are up 120 per cent in the past 12 months, but down 7 per cent since January, which illustrates the volatility that can be present in biotech stocks at an early stage.

But Jason Hollands, managing director of DIY investment group Best Invest, says that there are ways to spread your risk by putting your eggs in a number of biotech baskets.

'I would highlight Syncona, a London Stock Exchange listed investment company that takes stakes in young but highly innovative life science businesses,' he says.

Syncona backs 14 businesses and is adding about three new ones each year. Examples include Yellowstone Biosciences, a pioneer in cancer therapeutics built around the work of Oxford's Professor Paresh Vyas, and OMass Therapeutics, which was also spun out of Oxford University.

Syncona is in Cambridge too, backing the cancer specialist Mosaic Therapeutics.

The entire biotechnology sector has struggled in recent years, and Syncona shares are far from their 290p peak in 2018.

But that means they are at a healthy discount of 48 per cent to net asset value, and a pharmaceutical breakthrough could push them higher.

When investing in early-stage biotechnology firms, you need to remember that you are very much at the mercy of lab results.

Hoping that one of them – such as those in the Syncona portfolio – might produce the next Ozempic, or similar, is a risky strategy. Many hugely promising drugs can fail in trials, and most biotech companies are loss-making and may run out of cash without producing a profitable drug.

You might be taking less risk if you invest in funds that back the overseas-based companies that have labs or centres in the Oxford to Cambridge corridor.

These are listed on stock markets in New York, Germany and France, but will still benefit from the British investment in the Oxford/Cambridge corridor and have proven drugs and technologies that are already profitable.

For example, Novo Nordisk, which makes Ozempic, has a listing in Copenhagen and New York, but has a lab in Oxford. Funds also help to spread your risk geographically, so you can have a slice of Silicon Valley and Taiwan's semiconductor manufacturing hub to go with your Oxbridge buys.

Try the Guinness Global Innovators Fund, for example, which bought into Siemens Healthineers last year and has 15 per cent of its fund in the healthcare sector.

Siemens Healthineers is building a £250 million superconducting magnet manufacturing facility in Oxfordshire aimed at improving MRI scanners.

Manager Matthew Page says that he likes healthcare as a theme. He picks companies that apply ideas intelligently, and that his fund gives global exposure.

The fund is up 19 per cent this year and most of its holdings are in the US, including Amazon, so it gives investors a broad exposure.

And you'll want Chips with that

Rachel Reeves's corridor isn't all about biotechnology.

Many technology innovators make their homes in Oxford and Cambridge, with semiconductor and AI pioneers among the most talked about.

Arguably the most successful is Cambridge semiconductor maker Arm Holdings, which chose to list in New York in 2023. Semiconductors are seen as the backbone of the AI boom and there is plenty of computer chip action in Cambridge.

Arm is a major employer in the city, while there are also small companies designing chips and creating the instruments to build them.

UK investors could take a slice of Raspberry Pi, a London-listed Cambridge firm that could benefit from the infrastructure uplift. It is increasingly providing clients with industrial applications.

The shares launched at £2.80p last June and are now £6.80.

Elsewhere, more general tech funds will give you access to many of the companies with offices in Oxford and Cambridge, such as Apple, Samsung and Microsoft, all of which will benefit from investment into the 'Silicon Corridor'.

Or you could consider an exchange traded fund (ETF) that tracks the performance of top semiconductor businesses.

The VanEck semiconductor ETF has Broadcom Inc, a US business prominent in the Cambridge Science Park, as its top holding, as well as Advanced Micro Devices, also in the corridor in Milton Keynes.

The ETF is up 4.5 per cent so far this year.

Early-stage risk is not for the faint-hearted

Those who are very happy taking a risk, and who want to invest in unproven technology or biotechnology, might benefit from Venture Capital Trusts, Enterprise Investment Schemes or Seed Enterprise Investment Schemes containing early-stage companies based in the new Silicon corridor.

These schemes allow you to invest in very early-stage businesses in exchange for tax breaks – buying into those at the very earliest stage can get you a 50 per cent discount on your tax bills, but it is not for the faint-hearted.

Providers such as o2H, based in Cambridge, focus on life sciences, while Parkwalk Advisors is currently offering an Enterprise Investment Fund full of companies spun out from universities.

But these are for sophisticated investors only, and it is important to understand how the tax breaks work before taking a leap.

However you choose to play Reeves's announcement about our Silicon corridor, you'll need to have patience and nerves of steel. Technology and biotechnology companies are nothing if not volatile, and for every Ozempic or AI breakthrough there are a raft of company failures.

But what the UK's new prioritisation of this area gives us is some hope that the achievements of British scientists will add value to Britain's economy, rather than lining the pockets of overseas businesses who snap up our innovations while they are still at an early stage.

If private investors can get a slice of the action, so much the better.

Useful stock market codes

VanEck semiconductor ETF – BMC3873

Syncona – B8P59C0

Guinness Global Innovators – BQXX3K8

Life Science Real Estate Investment Trust – BP5X4Q2