A few years ago, we wrote about the establishment by the Juvenile Diabetes Research Foundation’s (JDRF) type 1 diabetes venture fund, and its goal to jumpstart private investment in companies that could develop and bring to market drugs and solutions for the disease.

This was and remains a particularly important healthcare need. Type 1 diabetes, the more immediately serious and life-threatening form of diabetes, is one of the most widespread autoimmune disease in the U.S., affecting about 1.6 million Americans. Worldwide, it affects millions more—and the prevalence of type 1 and type 2 diabetes appears to be on the rise.

For the last century, T1D sufferers have only had one treatment option: insulin injections. But insulin is not a cure, and while it can stabilize blood sugar levels and enable people to live longer and better lives, it doesn’t necessarily prevent the disease’s serious and potentially fatal effects, such as heart disease, stroke, blindness, kidney failure and limb amputation, among others.

From a healthcare perspective, this all means T1D is a serious global health concern. From a business investment perspective, it’s a seriously large, and untapped, global marketplace.

Catalyzing Private Investment

That’s the medical and marketplace situation the JDRF’s T1D fund was created to address. And now, four years after its establishment, the results are pretty impressive and may be instructive for other venture-oriented philanthropists. The T1D fund has become one of the largest disease-focused venture philanthropy funds in the world, with more than $100 million in assets. But there are a few more important numbers, such as the $325 million from private investment alongside the T1D fund, the 24 companies the fund has backed, and the two companies (so far) that have already entered clinical trials of new therapeutics.

The fund was the brainchild of Sean Doherty, a former Bain Capital executive who had two important qualifications: a background in the venture capital industry and a child with type 1 diabetes, the form of the disease that used to be called juvenile diabetes. Back in 2016, Doherty was surprised to learn that private investment in T1D was virtually zero, and set out to create a venture philanthropy fund that would not only invest in new companies with promising diabetes solutions and cures, but would attract more investment from for-profit venture capital.

It was a great idea, the sort that many philanthropists with investment backgrounds are drawn to—but great ideas don’t always become reality. This one has.

"Four years in, our goal is not to build an empire or cure the disease on its own, but to make the case to private venture capital firms that this is an area worth investing in," said Doherty, who remains fund chairman, working alongside an investment team. "Now, for every dollar of donor capital we invest, nearly six dollars is invested by private funds." More significantly, he says, the T1D fund has attracted investors with particular experience in advancing products through the development pipeline to the marketplace.

The JDRF has been the biggest single financial contributor to the fund, but the foundation’s function is also advisory. "The value we bring is a vast set of resources and expertise," said Doherty. Any company the fund invests in has access to the full breadth of the JDRF network of researchers and experts. "We’re one or two calls from anyone in diabetes in the world." For a fledgling research company, that kind of advisory firepower can prevent missteps and keep work moving in the right direction.

In type 1 diabetes, the body loses the ability to create insulin, and for the last 100 years, the only treatment option was insulin injection. There have been no methods to prevent T1D, delay its progression or reverse it. But emerging science is providing some avenues of hope, and the T1D investment team directs money with a focus on cure-oriented therapies, including immunotherapies and beta cell therapies. Additionally, a significant portion of investment goes toward improving the lives of people with T1D until a cure arrives.

A Sustainable Funding Model

Overall, the fund is supported by more than 65 donors, and by recycling returns from its portfolio. In addition to individuals, the Helmsley Charitable Trust committed $7 million; Helmsley is another major funder of diabetes work, and is also a knowledge resource for the fund. In most respects, the T1D funds functions like a regular investment fund, seeking and analyzing potential investments and sending quarterly reports to its donors. Of course, instead of returning profits to investors like a commercial investment fund, the upside for donors is progress toward cures and treatments.

Now, with a market that barely existed four years ago effectively catalyzed, the T1D fund is ready to move into a new phase. Its managers have embarked on an effort to raise another $50 million in capital, with a goal of moving the fund to evergreen self-sufficiency by 2025.

As Doherty says, the development of T1D cures and effective therapeutics will be a long process, and it’s going to need the kind of backing that only private investment can bring.