# Canada's answer to tariffs isn't counter-tariffs: it's capital

*Aaron Bast is Managing Director at Graphite Ventures.*

Last fall, the Toronto Blue Jays took the L.A. Dodgers to seven games in the World Series. The Jays did it without the biggest payroll in baseball, the deepest farm system, or the home-field advantage. They did it the way Michael Lewis's Moneyball described two decades ago: they stopped trying to outspend the dominant market and started hunting smarter for what the market gets wrong.

Canadian venture capital faces the same challenge on a much bigger stage. We cannot outspend Silicon Valley. American venture firms have the most capital, and they spend it chasing a home run every time at bat. The Canadian opportunity is different. Our opportunity is to become first-conviction investors for talented, innovative and driven founders building durable, globally competitive businesses from coast to coast—before the rest of the world fully understands what they are building.

For the past two decades, that view was a contrarian position in Canadian venture. Today it is becoming the strategic centre. Last month, Washington announced 50 percent tariffs on a broad list of Canadian goods—hockey sticks included.. Prime Minister Mark Carney responded that Canada is ready for those tariffs, "because we have been focusing on what we can control." What we can control is capital.

The federal AI strategy, the push toward Canadian-controlled investment, the economic sovereignty agenda, and the Ontario Municipal Employees Retirement System's (OMERS) commitment to add at least $10 billion in new investment in Canada over five years have all helped to shift us from focusing on whether Canada should bet on itself to how the bet should be made.

That bet is possible. Since Graphite Ventures was formed in 2021, where I am managing director, our portfolio has grown to more than 140 Canadian-based companies. The impact for Canada: in five years more than 1,350 new jobs, $800 million in follow-on capital attracted and more than $10 billion in new enterprise value created. Our most recent fund is a Canadian-focused $120-million seed fund, anchored by $25 million each from the Province of Ontario and OMERS. This is amplified by another $25 million from Canadian founders and more from committed institutions and corporates.

The "valley of death," the financing gap that often rests between $5 million and $25 million, is a real bottleneck for Canadian companies. Just as real is the failure that too often comes before it, at the seed stage.

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The companies that get funded become Canadian employers, pay Canadian taxes and recycle their wealth and experience into the next generation of Canadian founders. The companies that do not get funded either disappear, get acquired before they reach scale or move south for American capital and take the jobs and the intellectual property. The Canadian pension funds that the Senate banking committee identified as an underused source of capital are the same funds that lose when those companies leave.

Canada has the founders.

Last year, Graphite portfolio company Kitchener-based Nicoya Lifesciences acquired Applied Photophysics, a British scientific instruments company. The Canadian company became the acquirer. The British company became Nicoya's European hub.

A decade ago, three Russian immigrants started StackAdapt (also a Graphite portfolio company) in Toronto with $750,000 of seed capital. They never raised significant outside money again until many years later. They are now valued at more than $3.5-billion CAD—yet almost nobody outside the industry has heard of them.

Carol Leaman, who built Axonify into a global enterprise software company before selling, is now one of the founders investing her own money alongside Graphite in the next generation of Canadian builders.

Canada is finally choosing to be a market maker, not a market taker. The capital exists, and the founders are building. The real danger isn't writing the cheques, but not writing the cheques and expecting to win. And the timing couldn't be more urgent, as the investment behemoth to the south indicates a growing appetite for companies, talent and intellectual property. The tariffs apply the same pressure by other means.

The goal isn't to stop Canadian companies from competing globally. It is to help them remain distinctly Canadian as they scale. Canadian venture capital has the same opportunity the Jays did heading into last fall. The moment is now. Blink, and we'll miss it.

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Graphite Ventures is a Canadian seed-stage venture capital firm focused on B2B software and hardware companies. The firm invests across Canada and supports founders building capital-efficient businesses that scale globally.

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