

## **HALF YEAR REPORT**

FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2022

# The Biotech Growth Trust PLC

The Biotech Growth Trust PLC (the "Company") seeks capital appreciation through investment in the worldwide biotechnology industry. In order to achieve its investment objective, the Company invests in a diversified portfolio of shares and related securities in biotechnology companies on a worldwide basis.

Further details of the Company's investment policy are set out in the Company's Annual Report.

## MANAGEMENT

The Company has appointed Frostrow Capital LLP ("Frostrow") as Alternative Investment Fund Manager ("AIFM") to provide company management, company secretarial, administrative and marketing services. The Company and Frostrow have jointly appointed OrbiMed Capital LLC ("OrbiMed") as Portfolio Manager. Further disclosures required under the Alternative Investment Fund Managers Directive ("AIFMD") can be found on the Company's website: [www.biotechgt.com](http://www.biotechgt.com).

## PERFORMANCE

Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted), the Company's benchmark.

## GEARING

The Company's gearing policy is that borrowings will not exceed 20% of the Company's net assets. The Company's borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by the Company's prime broker, J.P. Morgan Securities LLC. As at 30 September 2022 the Company's borrowings amounted to £25.5 million. As of this date the net gearing level was 6.6% (31 March 2022: 8.4%) of the Company's net assets.

## CAPITAL STRUCTURE

As at 30 September 2022, the Company's share capital comprised 40,082,396 ordinary shares (31 March 2022: 41,441,570 ordinary shares).

## DIVIDEND POLICY

The Company invests with the objective of achieving capital growth and it is expected that dividends, if any, are likely to be small.

The Board intends only to pay dividends on the Company's shares to the extent required in order to maintain the Company's investment trust status.

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For more information about The Biotech Growth Trust PLC visit the website at

[www.biotechgt.com](http://www.biotechgt.com)



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# CHAIRMAN'S STATEMENT

ROGER YATES



## INTRODUCTION AND RESULTS

I am pleased to present this interim report for the six months ended 30 September 2022 and my first report to you since being appointed Chairman on 19 July 2022. I would like to thank my predecessor, Andrew Joy, for his excellent stewardship of the Company during his time as Chairman.

After a very difficult year to 31 March 2022, during which the Company's Net Asset Value ("NAV") fell substantially and underperformed the NASDAQ Biotechnology Index (the "Benchmark"), I am pleased to report that the first six months of this year have seen the Company regain some lost ground; the NAV per share total return<sup>^</sup> was 9.6%, outperforming the rise of 6.8% in the Benchmark.

A number of factors contributed to this improvement in performance, including increased levels of merger and acquisition ("M&A") activity and an improved regulatory and political backdrop in the USA. A fuller description of performance in the period is set out in the Portfolio Manager's Review, beginning on page 4.

The Company's NAV also benefited from the depreciation in sterling over the period by 15.2% against the U.S. dollar, being the currency in which the majority of the Company's investments are denominated.

In addition, the presence of gearing<sup>^</sup> over the period contributed 0.6% to the Company's NAV performance. While gearing was reduced from 8.4% to 6.6% over the period and the Portfolio Manager aims to keep gearing in the 5-10% range, they anticipate that gearing will be at the upper end of that range in the future.

The Company has maintained some exposure to "crossover" investments (investments in a Company's last private funding round prior to an initial public offering ("IPO")) and to Chinese

biotech. Investments in China represented 10.3% of the portfolio as at the period end. Despite satisfactory underlying performance, the value of these investments fell as a result of investors' concerns about China. The Portfolio Manager continues to believe in the high levels of innovation found in the biotechnology sector in China, but the difficult local macroeconomic and regulatory environments are proving to be a deterrent to further investment.

## SHARE PRICE PERFORMANCE

The outperformance of the NAV was enhanced at the share price level, driven by a narrowing in the discount<sup>^</sup> of the share price to the NAV per share. At 31 March 2022, the discount of the share price to the NAV per share was 6.2% and at 30 September, 5.3%. When combined with the increase in NAV, this reduction in the discount contributed to a share price return<sup>^</sup> over the six months of 10.7%.

## DISCOUNT AND PREMIUM MANAGEMENT

The Company's shares continued to trade at a discount to the net asset value per share throughout the period. Shareholders will be aware that the Company pursues an active discount management policy, buying back shares when the discount of the Company's share price to the NAV per share is higher than 6%. Accordingly, during the period the Company bought back 1,076,286 shares, at an average discount of 8.2% to the NAV per share, at a cost of £10.5 million.

<sup>^</sup>Alternative Performance Measure (see Glossary beginning on page 31)

At the period end there were 40,082,396 shares in issue and, as previously mentioned, the share price traded at a 5.3% discount to the NAV per share. As we have previously commented, it remains possible for the share price discount to trade at a discount wider than 6% for a period of days or indeed longer, particularly in volatile markets. However, the Company remains committed to protecting a 6% share price discount over the longer term. Since the period end a further 61,982 shares have been bought back for cancellation and at the time of writing the share price discount stands at 5.7%.

### PERFORMANCE FEE

At the year end, we reported that there was no provision within the Company's NAV for any performance fee payable at a future calculation date. That is still the case as at the half year end.

As explained in more detail in the Annual Report, the performance fee is calculated quarterly and is dependent on the long-term outperformance of the Company. In addition, a performance fee only becomes payable to the extent that the cumulative outperformance gives rise to a total fee greater than the total of all performance fees paid to date.

### OUTLOOK

While current macroeconomic conditions remain extremely challenging, there are a number of potential catalysts for a return to a more positive environment. These include the increase in M&A activity, an improved political environment, and a more benign regulatory environment in the U.S. Most importantly, in the biotechnology sector itself, the industry pipeline is growing and the sector continues to offer compelling innovation based on exciting new drug technologies.

The Board shares the Portfolio Manager's optimism for the long term. While the current market backdrop may present some headwinds, the Board believes that over the longer term the attractions of the sector and the positioning of the portfolio will generate attractive absolute and relative returns for investors.

### Roger Yates

Chairman

15 November 2022

# COMPANY PERFORMANCE

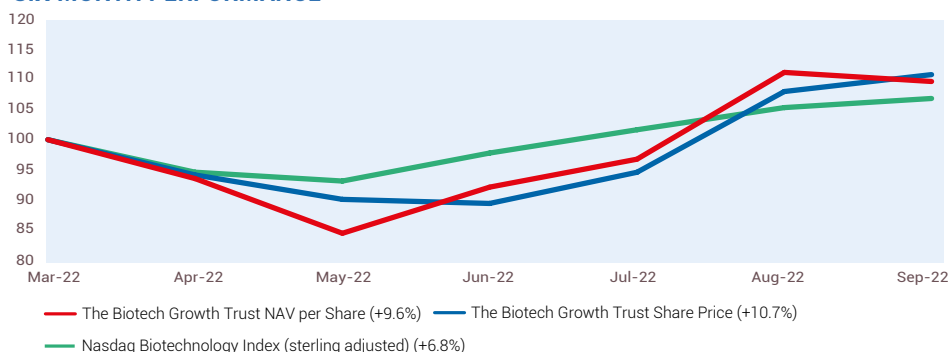
## KEY STATISTICS

	As at 30 September 2022	As at 31 March 2022	% Change
Net asset value per share	1049.7p	957.8p	+9.6
Share price	994.0p	898.0p	+10.7
Discount of share price to net asset value per share <sup>^</sup>	5.3%	6.2%	
Nasdaq Biotechnology Index (sterling adjusted) "Benchmark"	3,385.09	3,170.85	+6.8
Gearing <sup>^</sup>	6.6%	8.4%	
Ongoing Charges (excluding performance fees) <sup>^</sup>	1.2%	1.1%	
Active Share <sup>*^</sup>	75.1%	77.3%	

<sup>^</sup>Alternative Performance Measure (see Glossary beginning on page 31)

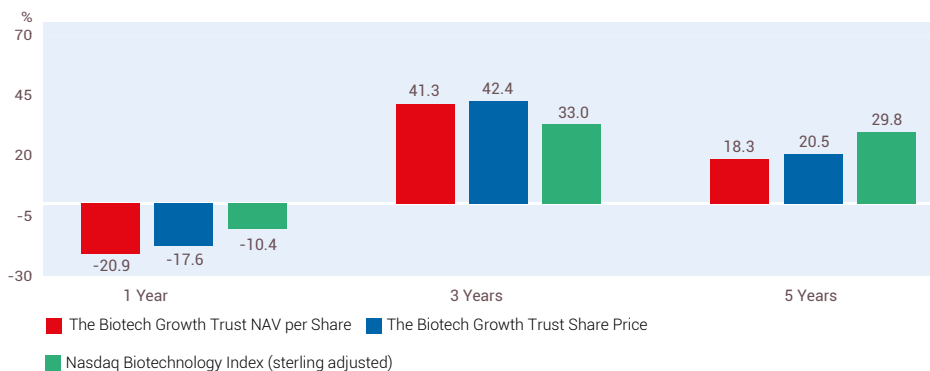
<sup>\*</sup>Source: Morningstar

## SIX MONTH PERFORMANCE



Figures are rebased to 100 as at 31 March 2022. Source: Morningstar

## ONE, THREE AND FIVE YEAR PERFORMANCE TO 30 SEPTEMBER 2022



Source: Morningstar



# PORTFOLIO MANAGER'S REVIEW

GEOFF HSU



## Performance

The Company's NAV per share increased by 9.6% during the six-month period ended 30 September 2022. This compares with a 6.8% increase in the NASDAQ Biotechnology (the "Benchmark" or the "NBI"), measured on a sterling adjusted basis. The devaluation of the pound versus the U.S. dollar contributed approximately 15% of positive NAV performance over the period.

After a difficult fiscal year for the Company, ending 31 March 2022, weakness in the biotech sector continued in April and May, principally driven by macroeconomic factors rather than biotech fundamentals. Investor concerns over rising interest rates, rising inflation, and the risk of a recession resulted in a steep correction in share prices for unprofitable technology stocks broadly, including emerging biotech. Valuations for emerging biotech, which had already been driven to 20-year lows, sank even further at the start of the six-month period but appeared to bottom out in May and June. In August, drug pricing legislation in the U.S. was passed as part of the Democrats' "Inflation Reduction Act". While the bill allows for limited drug price negotiation by Medicare starting in 2026, the provisions appear manageable for the industry and passage of the bill clears a longstanding political overhang for the sector. By the end of September, the biotech sector had begun staging a recovery from depressed levels.

The Company's outperformance versus the Benchmark during the review period was primarily due to outperformance of the emerging biotech positions in the portfolio.

We have chosen to maintain our strategic tilt towards the smaller emerging companies in the biotech sector over the larger profitable companies because most of the innovation in biotech is occurring in the emerging segment of the industry. As shown in Figure 1 on page 5, as of 31 March 2021, the beginning of the prior fiscal year, the Company was significantly overweight small cap biotech stocks (those with a market capitalization under U.S.\$2 billion) and significantly underweight large cap biotech (those with a market capitalization above U.S.\$10 billion) relative to the Benchmark. Given the significant underperformance of small cap biotech versus large cap biotech of approximately 30%, the Company's small cap bias has acted as a significant headwind to the Company's relative performance for the past 18 months. Notably, as of 30 September 2022, the divergence between small and large cap biotech performance had not yet converged. Our view is that a relative performance recovery of the small cap names is long overdue given that their absolute valuations have declined to historical lows.

We have therefore kept our overweight positioning in small caps and underweight positioning in large caps because we believe the small cap stocks have the most upside potential in the near term.

## PORTFOLIO MANAGER'S REVIEW CONTINUED

## Market Capitalization ("Market Cap") Performance Divergence in Biotechnology

## NBI Performance by Market Cap Classification

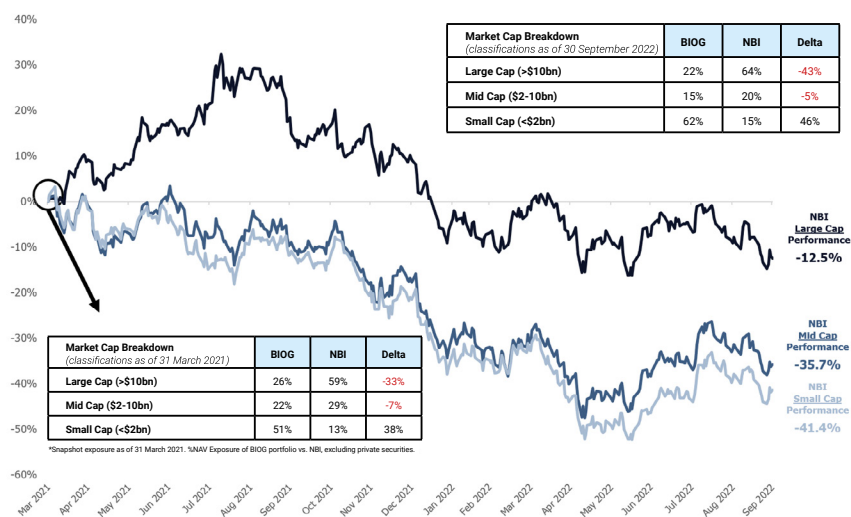


Figure 1: Chart shows equal-weighted performance of NBI stocks in their respective market cap categories, using market cap classifications as of 31 March 2021. Updated as of 30 September 2022, performance calculated in USD.

## XBI vs. S&P 500 (SPX) Spread

### Drawdowns in spread followed by historically strong recoveries

#### XBI – SPX spread since XBI inception

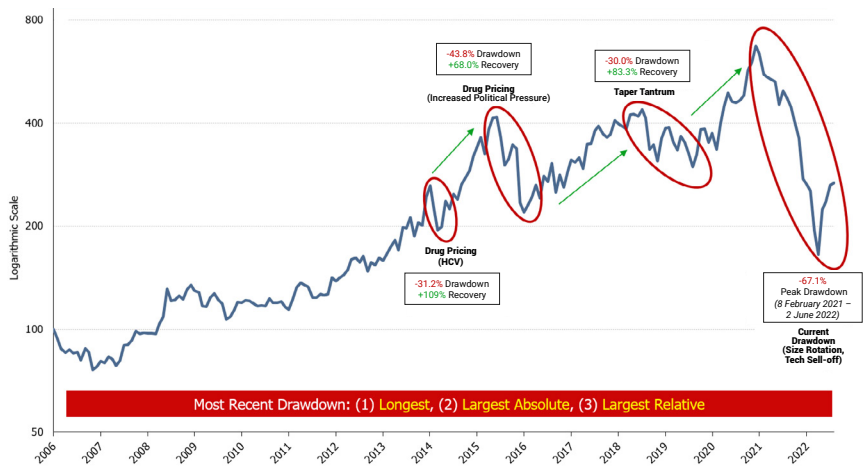


Figure 2: Drawdowns are calculated using daily closing prices, while chart is shown using monthly periodicity for smoothing purposes. Updated as of 30 September 2022. Source: JPM [Drawdowns and Recoveries] / OrbiMed (XBI – SPX Spread Chart since XBI Inception).

Our confidence in a small cap biotech recovery is based on two observations. The first observation is shown in Figure 2, which plots the relative performance of the XBI – an equal weighted biotech index created in 2006 which is commonly used as a proxy for small and mid cap biotech performance – against the S&P 500 Index. Since the XBI's inception, one can see that it has generally outperformed the S&P 500 over the past 15 years, indicating that emerging biotech has generally been a good place to invest over the long term. Over the course of that multi-year outperformance, there have been temporary periods of relative underperformance, denoted by the red circles in the graph, when the XBI has underperformed the S&P 500. What is so striking about the most recent biotech drawdown is how unusual it is in

historical context. The most recent drawdown is the largest absolute fall of the XBI since its inception and the longest and most severe relative drawdown of the XBI versus the S&P 500. Historically, each relative performance drawdown of the XBI versus the S&P 500 has been followed by a strong period of relative outperformance of the XBI (shown by the green arrows), ranging from 68-109%. Notably, all previous relative performance drawdowns have seen a subsequent recovery to a new relative performance high. Our expectation is that a relative performance recovery from the low of the most recent drawdown is likely to occur in the near term. Indeed, if one looks at the rightmost portion of the graph, it does appear we are in the early stages of such a recovery.



## PORTFOLIO MANAGER'S REVIEW CONTINUED

The second observation giving us confidence in a small cap biotech recovery is the fact that absolute valuations for the emerging biotech segment are so depressed. One objective way of valuing unprofitable biotech is to simply compare the market caps of these companies with the net cash on their balance sheets. If one looks at the median ratio of market cap to net cash for the biotech industry (shown in Figure 3), one observes that the current drawdown has driven sector valuations to levels we have not seen in over 20 years. Valuations on this metric are now below those found after the Dot Com Bust, the Great Financial Crisis, and the Hillary Clinton drug pricing tweet in 2015. This translates into over 25% of biotech companies (over 150 companies) that are now trading at market caps below the net cash on their balance sheets. We do not believe these unprecedented

valuation levels are warranted given the fundamentals of the industry.

One of the principal factors that has clearly driven overall market weakness – and weakness in unprofitable technology companies in particular – is the rapid rise of interest rates in the U.S. over the past several months. In order to combat rising inflation, the U.S. Federal Reserve (the "Fed") has been aggressively increasing interest rates. By increasing the risk-free rate, these interest rate hikes increase the discount rate investors use to value biotech companies and reduce their discounted cash flow value. Importantly, because most biotech companies are not heavily dependent on debt financing, an increase in short-term rates has very little impact on their businesses. The impact on biotech really stems from any increase in the long end

## Biotech Valuations at 20-Year Lows

### Ratio of Market Cap to Net Cash on Balance Sheet (Median)

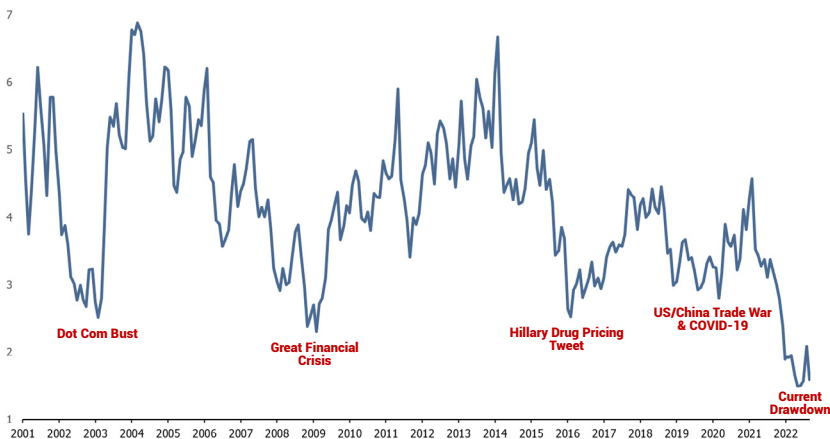


Figure 3: Monthly chart of all biotechnology companies (as classified by the Global Industry Classification Standard or GICS) greater than \$10 million, using historic cash and debt sourced from Bloomberg, with annual GICS biotechnology universe refreshes. Updated as of 30 September 2022.

## Biotech Valuations at 20-Year Lows

### Biotech stocks trading below cash:

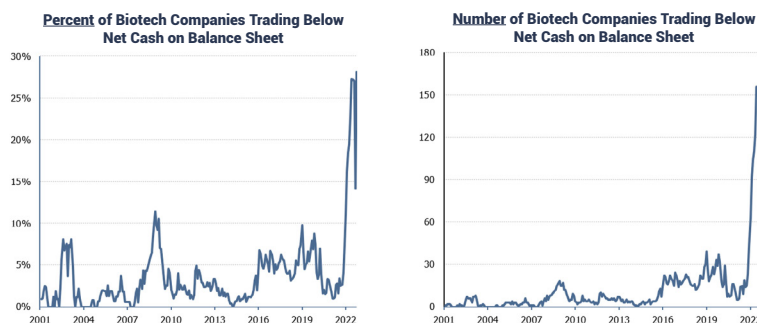


Figure 4: Monthly chart of all biotechnology companies (as classified by GICS) greater than \$10 million, using historic cash and debt sourced from Bloomberg, with annual GICS biotechnology universe refreshes. Updated as of 30 September 2022.

of the yield curve increasing the discount rate. Figure 5 shows that as of 30 September 2022, the U.S. 10-year government yield had risen to approximately 4%. Importantly, this rate already incorporates expectations for continued Fed rate hikes in the near term through the middle of 2023, followed by rate reductions once inflation is brought under control. We would therefore argue that many of the near-term rate hikes are already priced into market expectations and should not substantially impact the 10-year rate. Given that absolute valuations for emerging biotech are already at 20-year lows, we would not anticipate that further interest rate increases will significantly further depress valuations.

Many economists are now forecasting a recession in 2023. Healthcare has generally been a defensive sector during recessions, and we would argue that biotech as a secular growth sector should be less impacted by an economic downturn compared to other industries. Patient demand for drugs should not be dramatically affected if the U.S. enters a recession.

With regards to inflation, pricing power in the drug industry has traditionally been strong. We believe most companies will be able to push through annual price increases on their drug sales at least on par with inflation in order to maintain margins and offset any inflationary pressure on costs.

The China portion of the portfolio was also under pressure during the review period for entirely different macro reasons. Investor concerns over a slowing Chinese economy, China's zero COVID policy, rising U.S.-China tensions, and geopolitical fears over a potential invasion of Taiwan by China led to a significant decline in Chinese securities generally during the review period. The Hang Seng Index, a broad market index tracking Hong Kong listed stocks, declined over 21% in local currency terms during the review period and sat at a 10-year low as of the end of the September. While we continue to believe in the long-term prospects for Chinese biotech and the Chinese government's unwavering commitment to promoting

## PORTFOLIO MANAGER'S REVIEW CONTINUED

## 10 Year U.S. Government Yield (USGG10YR Index)

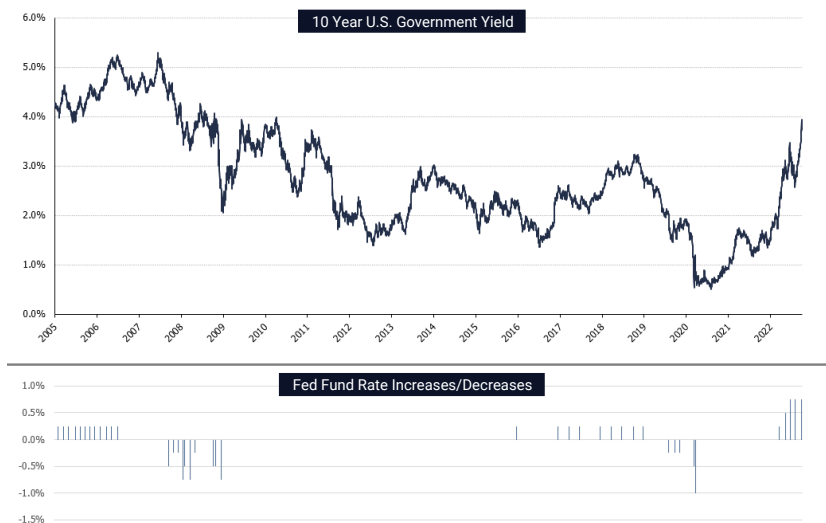


Figure 5. Source: Bloomberg, data as of 30 September 2022.

innovation in the sector, we have elected to reduce our Chinese public equity exposure and shift that capital to U.S. emerging biotech. This is a tactical shift driven by our expectation that a recovery in U.S. emerging biotech is likely to occur sooner than a recovery in Chinese biotech.

## Contributors to Performance

The principal contributors to performance during the review period were Syndax Pharmaceuticals, Mersana Therapeutics, Forma Therapeutics, Sarepta Therapeutics, and Global Blood Therapeutics.

- **Syndax Pharmaceuticals** is a clinical stage oncology company developing two drugs, one for acute myeloid leukemia and one for chronic graft versus host disease. Both programs will have pivotal data readouts in the second quarter of 2023. The company's share price rose during the review period in anticipation of those data releases.
- **Mersana Therapeutics** is a clinical stage company developing antibody-drug conjugate therapeutics. The company's lead asset, UpRi is in a pivotal program in late-stage ovarian cancer that will have data in mid-2023. The stock appreciated during the review period after the company signed an option license with GlaxoSmithKline for the co-development of one of Mersana's earlier stage assets. As part of the deal, Mersana received a \$100 million upfront payment from GSK, resulting in a re-rating of the stock.
- **Forma Therapeutics** is a development stage biopharmaceutical company focused on developing drugs to treat nonmalignant hematological disorders. The company's

lead drug is being developed for the treatment of sickle cell disease. In early September, Novo Nordisk announced that it was acquiring Forma for \$1.1 billion in cash, representing a 49% premium to Forma's closing price the previous day.

- **Sarepta Therapeutics** is a commercial biotechnology company focused on rare neuromuscular diseases. It markets three approved therapies for Duchenne muscular dystrophy but is also developing a gene therapy for the condition. The company's share price rose on the increased investor expectation that the company would be able to obtain accelerated approval for the gene therapy in 2023.
- **Global Blood Therapeutics** is a commercial stage biopharmaceutical company focused on developing drugs to treat sickle cell disease. In early August, Pfizer announced that it was acquiring Global Blood for \$5.4 billion in cash, representing over a 100% premium to the company's share price prior to rumours of a potential deal.

### Detractors from Performance

The principal detractors from performance were Horizon Therapeutics, Jounce Therapeutics, Guardant Health, Mirati Therapeutics, and GH Research.

- **Horizon Therapeutics** is a specialty pharmaceutical company that launched Tepezza, a treatment for thyroid eye disease, in the U.S. in early 2020. Tepezza sales declined sharply in 2022 due to a combination of market saturation, stricter payor coverage, and the COVID Omicron wave. As a result, investor expectations for long-term Tepezza sales declined, sending the stock lower.

- **Jounce Therapeutics** develops immunotherapy drugs for the treatment of cancer. Shares of the company declined after it disclosed that a Phase 2 study in lung cancer for one of its drugs failed to meet its primary endpoint.
- **Guardant Health** is a genomics company developing liquid biopsy tests for detecting and monitoring cancers. Shares of the company were under pressure during the review period due to the difficult macro environment as well as a delay in the clinical trial data release for the company's blood-based screening test to detect colorectal cancer.
- **Mirati Therapeutics** is a clinical-stage biopharmaceutical company focused on the discovery and development of novel targeted oncology treatments. Shares underperformed amid market weakness and mixed clinical results from their lead program in second-line lung cancer.
- **GH Research** is developing a psychedelic drug for treatment-resistant depression. The stock fell due to overall biotech sector weakness during the review period.

### IPO Market has Slowed Considerably

Unsurprisingly, the drawdown in the general markets has resulted in a dramatic decline in the number of IPOs, as shown in Figure 6. Due to market conditions, none of the Company's crossover positions went public during the review period. We have also stopped making new crossover investments until the IPO market recovers. The portfolio now includes only three crossover investments, all of which are Chinese companies. Our current expectation is that all of them will go public by mid-2023. Despite the decline in IPO activity, most quality biotech

## PORTFOLIO MANAGER'S REVIEW CONTINUED

## Number of IPOs and funds raised have declined over past 12 months

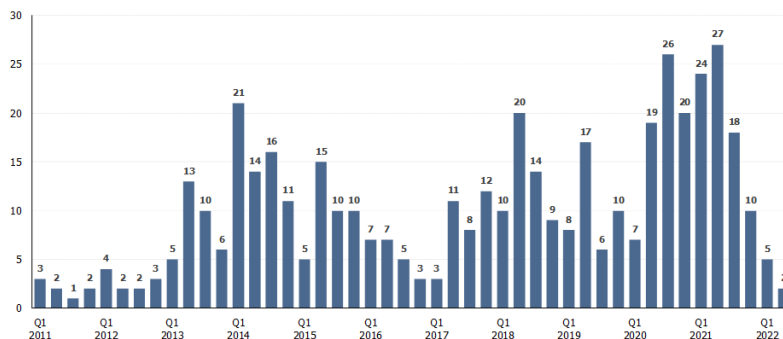


Figure 6. Source: BofA Securities, September 2022

companies that are already public have not had much difficulty in raising capital, so there remains ample investor appetite for funding biotech. Given the lower valuations of biotech generally, we have looked to capitalize on opportunities to finance quality companies at these new lower prices.

### Passage of Drug Pricing Legislation Clears Political Overhang

In August, the Democrats' "Inflation Reduction Act" was signed into law in the U.S. The law includes a number of drug pricing provisions to help pay for the climate and energy provisions of the legislation. There are three elements of the drug pricing reform: 1) a redesign of Medicare Part D to cap out-of-pocket costs that seniors pay for prescription drugs (a positive for the industry); 2) an inflation cap on annual drug price increases; and 3) the ability for the federal government to negotiate Medicare drug prices for a limited number of drugs starting in 2026. We don't think the bill will have an impact on biotech in the near term and will generally be manageable for the drug industry overall. The spectre of drug pricing legislation has been an overhang and risk for the biotech sector for decades. Now that this legislation has passed,

we believe it is a clearing event for the sector that will allow the sector to re-rate. We do not expect Congress to revisit the issue for the next several years. On 8 November 2022, midterm Congressional elections took place in the U.S., but as of 14 November, the results of those elections had not been completely determined. The Democrats were able to maintain their slight majority in the Senate, with Republicans still appearing likely to win a small majority in the House. If Republicans gain control of the House, the prospects of any additional drug pricing legislation are even less likely.

### M&A Activity Expected to Accelerate

We anticipated that M&A activity in the biotech sector would increase with the recent drawdown in valuations. Development-stage biotech companies that can complete equity financings at healthy prices can remain independent entities to generate additional value and are not forced to sell themselves to a larger player if the acquisition price is deemed insufficient. Now that stock prices are quite a bit lower, biotech companies face the unattractive prospect of financing their programs with much more dilutive equity offerings than they previously contemplated, making a sale to a strategic

acquirer a more palatable alternative than it was under healthier market conditions. At the same time, the urgency for large pharma to acquire smaller biotech companies remains elevated. Numerous large pharma companies like Merck, Bristol-Myers Squibb, and AbbVie are facing key patent expirations on multi-billion-dollar blockbuster products in the 2025-2030 timeframe. These companies are highly motivated to acquire innovative biotech products that can help them replace expected revenue losses in the latter half of this decade. The current market environment should therefore be conducive to accelerated M&A activity. Figure 7 shows announced M&A transactions involving public biotech targets each quarter since the beginning of 2018. While there is always natural variability year to year in M&A volume, it is encouraging that the number of announced transactions has increased sequentially in the second and third calendar quarters of 2022, suggestive of a pickup in M&A activity.

The Company benefited directly from two transactions during the review period: Novo Nordisk's acquisition of Forma Therapeutics for \$1.1 billion and Pfizer's acquisition of Global Blood Therapeutics for \$5.4 billion. There are

many other companies in the portfolio that we believe would make attractive M&A candidates, and we are optimistic that some of them will be acquired as well in the months ahead.

## Outlook

With valuations in emerging biotech at 20-year lows and a drawdown in small and mid-cap biotech that has been the worst in over 15 years, we have never seen such a compelling entry point for long-term investors to invest in biotech. We expect the sector to resume its historical outperformance versus the general market over the next several years. Importantly, the fundamentals of the industry remain strong. The industry pipeline continues to grow, with robust innovation based on new drug development technologies like gene therapy, cell therapy, and RNA-based therapies still in the early stages of reaching their full potential. The regulatory environment at the FDA remains constructive towards the approval of new drugs, especially in areas of unmet medical need. There are signs that M&A activity is accelerating, as large pharma companies facing upcoming patent expirations on key products aggressively look to acquire innovative biotech companies now

## Signs of Acceleration in M&A Activity with Recent Drawdown in Valuations

### Announced Public Biotech M&A Transactions

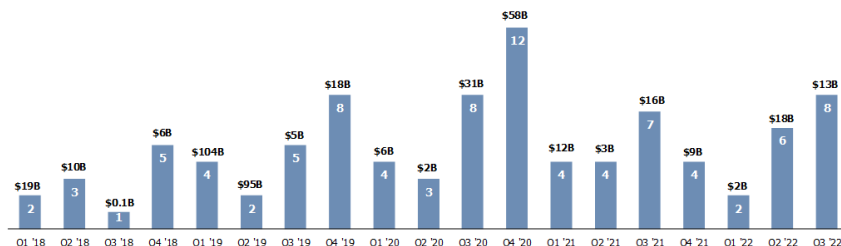


Figure 7: Number of deals and aggregate dollar volume. Source : FactSet



**PORTFOLIO MANAGER'S REVIEW** CONTINUED

trading at inexpensive valuations. Finally, the political overhang of drug pricing reform has now been cleared with the passage of the Inflation Reduction Act, which we expect to have minimal impact on biotech. Indeed, we have never seen such a dramatic disconnect between industry fundamentals and share price performance in the sector. While rising interest rates will continue to be a headwind for the stock market generally, any indication of inflation moderation could have a favorable impact on future interest rate expectations. The portfolio will continue its overweight bias in small cap emerging biotech versus the Benchmark, as we believe this positioning will deliver the best returns for investors when the long overdue recovery occurs. Gearing will remain in the 5-10% range, though given the historically depressed valuations, investors should expect gearing at the upper end of the range. Although the market may continue to be challenging in the short term, the compelling valuations in biotech give us optimism that a recovery in the sector will eventually occur in due course.

**Geoff Hsu**

OrbiMed Capital LLC  
Portfolio Manager

15 November 2022

# INVESTMENT PORTFOLIO

INVESTMENTS HELD AS AT 30 SEPTEMBER 2022

Security	Country/ Region#	Fair value £'000	% of investments
Argenx	Netherlands	21,332	4.7
Sarepta Therapeutics	United States	21,170	4.7
Ionis Pharmaceuticals	United States	21,099	4.7
BioMarin Pharmaceutical	United States	20,921	4.7
Syndax Pharmaceuticals	United States	20,386	4.5
Aclaris Therapeutics	United States	19,219	4.3
Mersana Therapeutics	United States	17,396	3.9
Neurocrine Biosciences	United States	17,386	3.9
Biogen	United States	16,122	3.6
Yisheng Biopharma*	China	16,059	3.6
<b>Ten largest investments</b>		<b>191,090</b>	<b>42.6</b>
BELLUS Health	Canada	14,878	3.3
GH Research	Ireland	14,359	3.2
Xenon Pharmaceuticals	Canada	14,157	3.2
XtalPi*	China	14,068	3.1
Keros Therapeutics	United States	13,785	3.1
Traverse Therapeutics	United States	10,970	2.4
Chinook Therapeutics	United States	10,750	2.4
KalVista Pharmaceuticals	United States	10,386	2.3
RAPT Therapeutics	United States	9,248	2.1
2seventy bio	United States	9,180	2.0
<b>Twenty largest investments</b>		<b>312,871</b>	<b>69.7</b>
Aerovate Therapeutics	United States	8,401	1.9
uniQure NV	Netherlands	7,861	1.8
ALX Oncology Holdings	United States	7,801	1.7
Seagen	United States	7,673	1.7
Compass Therapeutics	United States	7,295	1.6
Alnylam Pharmaceuticals	United States	7,074	1.6
StemiRNA Therapeutics*	China	6,508	1.4
Verona Pharma	United Kingdom	6,097	1.4
EyePoint Pharmaceuticals	United States	5,235	1.2
Miram Pharmaceuticals	United States	4,553	1.0
<b>Thirty largest investments</b>		<b>381,369</b>	<b>85.0</b>
Vaxcyte	United States	4,235	0.9
Heron Therapeutics	United States	4,225	0.9
Janux Therapeutics	United States	4,206	0.9
MeiraGTx Holdings	United States	3,990	0.9
Mirati Therapeutics	United States	3,854	0.9
Jounce Therapeutics	United States	3,547	0.8
Arcus Biosciences	United States	3,533	0.8
CinCor Pharma	United States	3,498	0.8
Alphamab Oncology	China	2,622	0.6
Dyne Therapeutics	United States	2,504	0.6
<b>Forty largest investments</b>		<b>417,583</b>	<b>93.1</b>

\* Unquoted investment.

# Primary listing.

## INVESTMENT PORTFOLIO CONTINUED

Security	Country/ Region#	Fair value £'000	% of investments
Scholar Rock Holding	United States	2,485	0.6
Remegen	China	2,445	0.5
Graphite Bio	United States	2,409	0.5
Gracell Biotechnologies	China	2,339	0.5
Edgewise Therapeutics	United States	2,339	0.5
Kezar Life Sciences	United States	2,244	0.5
Magenta Therapeutics	United States	2,157	0.5
Prelude Therapeutics	United States	2,049	0.5
OrbiMed Asia Partners*†	United States	2,045	0.5
VectivBio Holding	Switzerland	1,576	0.3
<b>Fifty largest investments</b>		<b>439,671</b>	<b>98.0</b>
Pyxis Oncology	United States	1,489	0.3
Clover Biopharmaceuticals	China	1,292	0.3
Suzhou Basecare Medical	China	902	0.2
Monte Rosa Therapeutics	United States	860	0.2
Small Pharma	Canada	799	0.2
AWAKN Life Sciences	Canada	705	0.2
Repare Therapeutics	Canada	535	0.1
Galecto	Denmark	487	0.1
Burning Rock Biotech	China	392	0.1
IMARA	United States	381	0.1
<b>Sixty largest investments</b>		<b>447,513</b>	<b>99.8</b>
Longboard Pharmaceuticals	United States	361	0.1
Fusion Pharmaceuticals	Canada	270	0.1
Harpoon Therapeutics	United States	174	0.0
LogicBio Therapeutics	United States	128	0.0
AWAKN Life Sciences warrants*	Canada	15	0.0
<b>Total Investments</b>		<b>448,461</b>	<b>100.0</b>

# Primary listing.

\* Unquoted investment.

† Partnership interest.

## INVESTMENT PORTFOLIO CONTINUED

### PORTFOLIO BREAKDOWN

Investments	Fair value £'000	% of investments
<b>Quoted</b>		
Equity	409,766	91.4
<b>Total quoted investments</b>	<b>409,766</b>	<b>91.4</b>
<b>Unquoted</b>		
Equities	36,635	8.1
Warrants	15	—
Partnership interest	2,045	0.5
<b>Total unquoted investments</b>	<b>38,695</b>	<b>8.6</b>
<b>Total investments</b>	<b>448,461</b>	<b>100.0</b>

# PRINCIPAL CONTRIBUTORS TO AND DETRACTORS FROM NET ASSET VALUE PERFORMANCE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Contribution for the Six months ended 30 September 2022 £'000	Contribution per share (pence)*
<b>TOP FIVE CONTRIBUTORS</b>		
Syndax Pharmaceuticals	9,451	23.2
Mersana Therapeutics	8,774	21.5
Forma Therapeutics	7,406	18.2
Sarepta Therapeutics	6,866	16.8
Global Blood Therapeutics	5,759	14.1
	<b>38,256</b>	<b>93.8</b>

## TOP FIVE DETRACTORS

Horizon Therapeutics	(5,852)	(14.4)
Jounce Therapeutics	(5,153)	(12.6)
Guardant Health	(4,882)	(12.0)
Mirati Therapeutics	(4,592)	(11.2)
GH Research	(4,555)	(11.2)
	<b>(25,034)</b>	<b>(61.4)</b>

\* based on 40,781,100 Shares being the weighted average number of shares in issue during the six months ended 30 September 2022.

# CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		(Unaudited) Six months ended 30 September 2022			(Unaudited) Six months ended 30 September 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Notes							
	2	299	–	299	587	–	587
Investment income							
Gains/(losses) on investments held at fair value through profit or loss			44,507	44,507	–	(57,118)	(57,118)
Exchange losses on currency balances			(5,293)	(5,293)	–	(888)	(888)
AIFM, portfolio management and performance fees	3	(91)	(1,731)	(1,822)	(134)	8,191	8,057
Other expenses		(371)	(18)	(389)	(310)	–	(310)
<b>(Loss)/return before finance costs and taxation</b>		(163)	37,465	37,302	143	(49,815)	(49,672)
Finance costs		(14)	(258)	(272)	(4)	(78)	(82)
<b>(Loss)/return before taxation</b>		(177)	37,207	37,030	139	(49,893)	(49,754)
Taxation		(39)	–	(39)	(73)	–	(73)
<b>(Loss)/return for the period</b>		(216)	37,207	36,991	66	(49,893)	(49,827)
<b>Basic and diluted (loss)/earnings per share</b>	4	(0.5)p	91.2p	90.7p	0.2p	(119.7)p	(119.5)p

The Company does not have any income or expenses which are not included in the profit or loss for the period. Accordingly the "profit for the period" is also the "Total Comprehensive Income for the period", as defined in IAS 1 (revised) and no separate Statement of Other Comprehensive Income has been presented.

The "Total" column of this statement is the Company's Income Statement, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of the Investment Companies.

All items in the above statement are from continuing operations.



# CONDENSED STATEMENT OF CHANGES IN EQUITY

## (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2022

	Ordinary Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2022	10,289	79,951	13,141	291,231	(404)	394,208
Net profit/(loss) for the period	–	–	–	37,207	(216)	36,991
Repurchase of own shares for cancellation	(269)	–	269	(10,465)	–	(10,465)
At 30 September 2022	10,020	79,951	13,410	317,973	(620)	420,734

## (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2021

	Ordinary Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2021	10,396	77,895	12,997	500,594	(415)	601,467
Net (loss)/profit for the period	–	–	–	(49,893)	66	(49,827)
Issue of new shares	37	2,056	–	–	–	2,093
Repurchase of own shares for cancellation	(28)	–	28	(1,396)	–	(1,396)
At 30 September 2021	10,405	79,951	13,025	449,305	(349)	552,337

# CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Notes	(Unaudited) 30 September 2022 £'000	(Audited) 31 March 2022 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss		448,461	427,399
<b>Current assets</b>			
Other receivables		25	49
		25	49
<b>Total assets</b>		448,486	427,448
<b>Current liabilities</b>			
Other payables		2,292	1,499
Loan facility		25,460	31,741
		27,752	33,240
<b>Net assets</b>		420,734	394,208
<b>Equity attributable to equity holders</b>			
Ordinary share capital		10,020	10,289
Share premium account		79,951	79,951
Capital redemption reserve		13,410	13,141
Capital reserve		317,973	291,231
Revenue reserve		(620)	(404)
<b>Total equity</b>		420,734	394,208
<b>Net asset value per share</b>	5	1,049.7p	957.8p

# CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	(Unaudited) Six months ended 30 September 2022 £'000	(Unaudited) Six months ended 30 September 2021 £'000
<b>Operating activities</b>		
Profit/(loss) before taxation*	37,030	(49,754)
Finance costs	272	82
(Gains)/losses on investments held at fair value through profit & loss	(45,419)	56,601
Transaction costs	912	517
Foreign exchange losses	5,293	888
Decrease in other receivables	24	6
Increase/(decrease) in other payables	114	(17,852)
Taxation paid	(39)	(73)
<b>Net cash outflow from operating activities</b>	<b>(1,813)</b>	<b>(9,585)</b>
<b>Investing activities</b>		
Purchases of investments	(254,895)	(253,367)
Sales of investments	278,800	273,617
Transaction costs	(912)	(517)
<b>Net cash inflow from investing activities</b>	<b>22,993</b>	<b>19,733</b>
<b>Financing activities</b>		
Repurchase of own shares for cancellation	(9,334)	(1,396)
Gross proceeds from the issue of shares	–	2,093
Net repayment of the loan facility	(11,574)	(8,394)
Finance costs - interest paid	(272)	(82)
<b>Net cash outflow from financing activities</b>	<b>(21,180)</b>	<b>(7,779)</b>
<b>Net increase in cash and cash equivalents</b>	<b>–</b>	<b>2,369</b>
Cash and cash equivalents at start of period	–	1,502
<b>Cash and cash equivalents at end of period</b>	<b>–</b>	<b>3,871</b>

\* Includes dividends earned during the period of £299,000 (six months ended 30 September 2021: £532,000) and bond income of £nil (six months ended 30 September 2021: £55,000).

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	(Unaudited) Six months ended 30 September 2022 £'000	(Unaudited) Six months ended 30 September 2021 £'000
Balance as at start of period	31,741	26,779
Net cash flow on the loan facility	(11,574)	(8,394)
Foreign exchange losses	5,293	888
Loan balance	25,460	19,273

# NOTES TO THE FINANCIAL STATEMENTS

## 1.A) GENERAL INFORMATION

The Biotech Growth Trust PLC is a company incorporated and registered in England and Wales. The Company operates as an investment company within the meaning of Section 833 of the Companies Act 2006 and has made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods commencing on or after 1 April 2012.

## 1.B) BASIS OF PREPARATION

The Company's condensed financial statements for the six months ended 30 September 2022 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the financial information required for the full annual financial statements and have been prepared using accounting policies adopted in the audited financial statements for the year ended 31 March 2022. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Directors have sought to prepare the financial statements in compliance with presentational guidance set out in the Statement of Recommended Practice (the "SORP") for Investment Trust Companies and Venture Capital Trusts produced by the Association of Investment Companies ("AIC"), dated July 2022.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The financial statements have not been audited by the Company's auditors.

## 1.C) SEGMENTAL REPORTING

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

## 1.D) GOING CONCERN

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for at least 12 months from the date of the approval of the financial statements. The next continuation vote of the Company will be held at the Annual General Meeting in 2025 and further opportunities to vote on the continuation of the Company will be given to shareholders every five years thereafter.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. INCOME

	(Unaudited) Six months ended 30 September 2022 £'000	(Unaudited) Six months ended 30 September 2021 £'000
<b>Investment income</b>		
Overseas dividend income	299	532
Bond income	–	55
Total income	299	587

## 3. AIFM, PORTFOLIO MANAGEMENT AND PERFORMANCE FEES

	Revenue £'000	Capital £'000	Total (Unaudited) Six months ended 30 September 2022 £'000	Revenue £'000	Capital £'000	Total (Unaudited) Six months ended 30 September 2021 £'000
AIFM fee	27	524	551	40	757	797
Portfolio management fee – OrbiMed Capital LLC	64	1,207	1,271	94	1,781	1,875
Performance fee	–	–	–	–	(10,729)	(10,729)
	91	1,731	1,822	134	(8,191)	(8,057)

As at 30 September 2022, no performance fees were accrued or payable. During the six months ended 30 September 2021, due to underperformance against the Benchmark and in accordance with the performance fee arrangements in place, prior period provisions of £10,729,000 were reversed.

For further details on the performance fee arrangements see pages 46 and 47 of the Company's 2022 Annual Report.

#### 4. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

	(Unaudited) Six months ended 30 September 2022 £'000	(Unaudited) Six months ended 30 September 2021 £'000
The (loss)/earnings per share is based on the following figures:		
Net revenue (loss)/return	(216)	66
Net capital return/(loss)	37,207	(49,893)
Net total return/(loss)	36,991	(49,827)
Weighted average number of shares in issue during the period	40,781,100	41,693,267
	Pence	Pence
Revenue (loss)/earnings per share	(0.5)	0.2
Capital earnings/(loss) per share	91.2	(119.7)
Total earnings/(loss) per share	90.7	(119.5)

#### 5. NET ASSET VALUE PER SHARE

The net asset value per share is based on the net assets attributable to equity shareholders of £420,734,000 (31 March 2022: £394,208,000) and on 40,082,396 shares (31 March 2022: 41,158,682) being the number of shares in issue at the period end.

#### 6. TRANSACTION COSTS

Purchase and sale transaction costs for the six months ended 30 September 2022 amounted to £912,000 (six months ended 30 September 2021: £517,000); broken down as follows: purchase transactions for the six months ended 30 September 2022 amounted to £411,000 (six months ended 30 September 2021: £201,000). Sale transactions amounted to £501,000 (six months ended 30 September 2021: £316,000). These costs comprise mainly commission.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**7. INVESTMENTS**

IFRS 13 requires the Company to classify fair value measurements using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 September 2022 the investments in OrbiMed Asia Partners LP Fund (the LP Fund), XtalPi, StemiRNA and Yisheng Biopharma have been classified as Level 3 (see Level 3 reconciliation on page 26).

The LP Fund is valued quarterly by OrbiMed Advisors LLC and is audited annually by KPMG LLP. As the 30 September 2022 valuation is not yet available, the LP Fund has been valued at its net asset value as at 30 June 2022. It is believed that the value of the LP Fund as at 30 September 2022 will not be materially different. If the value of the LP Fund were to increase or decrease by 10%, while other variables had remained constant, the return and net assets attributable to shareholders for the period ended 30 September 2022 would have increased or decreased by £205,000 (year ended 31 March 2022: £209,000).

The following investments have been valued by the Board following recommendations made by the Valuation Committee which has reviewed in detail both the valuations and the methodologies provided by Kroll, an independent valuer.

StemiRNA, XtalPi and Yisheng Biopharma have been valued using the probability-weighted expected returns methodology and are classified as Level 3. If the value of these investments were to increase or decrease by 10%, while all other variables remain constant, the return attributable to shareholders for the period ended 30 September 2022 would have increased or decreased by £3,664,000 (year ended 31 March 2022: £3,218,000).

Awakn Life Sciences warrants have been classified as Level 2 at the period end. If the value of the warrants were to increase or decrease by 10%, the return and net assets attributable to shareholders would have increased or decreased by £1,500.

The table overleaf sets out fair value measurements of financial assets in accordance with the IFRS13 fair value hierarchy system:

## (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	409,766	–	36,635	446,401
Warrants	–	15	–	15
Partnership interest in LP Fund	–	–	2,045	2,045
<b>Total</b>	<b>409,766</b>	<b>15</b>	<b>38,680</b>	<b>448,461</b>

## (AUDITED) YEAR ENDED 31 MARCH 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	393,169	–	32,178	425,347
Warrants	–	303	–	303
Partnership interest in LP Fund	–	–	1,749	1,749
<b>Total</b>	<b>393,169</b>	<b>303</b>	<b>33,927</b>	<b>427,399</b>

## LEVEL 3 RECONCILIATION

Please see below a reconciliation disclosing the changes during the six months for the financial assets and liabilities, designated at fair value through profit or loss, classified as being Level 3.

	(Unaudited) Six months ended 30 September 2022 £'000	(Audited) Year ended 31 March 2022 £'000
Assets as at beginning of period	33,927	37,483
Purchase of unquoted investments	–	13,266
Sale of unquoted investments	–	(40)
Net movement in investment holding gains during the period/year	4,753	2,843
Transfer from level 3 to level 1	–	(19,625)
<b>Assets as at 30 September/31 March</b>	<b>38,680</b>	<b>33,927</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**8. PRINCIPAL RISKS PROFILE**

The principal risks which the Company faces from its financial instruments are:

- i) market price risk, including currency risk, interest rate risk and other price risk;
- ii) liquidity risk; and
- iii) credit risk.

**Market price risk** – This is the risk that the fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk.

**Liquidity risk** – This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

**Credit risk** – This is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction, which could result in the Company suffering a loss.

Details of the Company's management of these risks can be found in note 14 in the Company's 2022 Annual Report.

There have been no changes to the management of or the exposure to these risks since the date of the Annual Report.

**9. RELATED PARTY TRANSACTIONS**

There have been no changes to the related party arrangements or transactions as reported in the Annual Report for the year ended 31 March 2022.

**10. CREDIT RISK**

J.P. Morgan Securities LLC (J.P. Morgan) may take assets with a value of up to 140% of the Company's loan facility as collateral. Such assets held by J.P. Morgan are available for rehypothecation\*.

As at 30 September 2022, the maximum value of assets available for rehypothecation was £35.6 million being 140% of the loan balance (£25.5 million) (31 March 2022: £44.4 million).

\* See Glossary beginning on page 31.

## 11. COMPARATIVE INFORMATION

The financial information contained in this half year report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2022 and 2021 has not been audited by the Company's auditor.

The information for the year ended 31 March 2022 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31 March 2022 have been filed with the Registrar of the Companies. The report of the Company's auditor on those accounts was unqualified, did not include a reference to any matters to which the Company's auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

# INTERIM MANAGEMENT REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES

A review of the half year, including reference to the risks and uncertainties that existed during the period and the outlook for the Company can be found in the Chairman's Statement beginning on page 1 and in the Portfolio Manager's Review beginning on page 4. The principal risks faced by the Company fall into the following broad categories: objective and strategy; share price volatility and the level of discount/premium; portfolio performance; portfolio management key person risk; operational and regulatory risk (including cyber risk); market price risk; valuation risk; climate change; liquidity risk; shareholder profile; currency risk; the risk associated with the Company's loan facility; and credit risk. Information on each of these areas is given in the Strategic Report/ Business Review within the Annual Report for the year ended 31 March 2022. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year, although Russia's invasion of Ukraine and the ensuing war, together with increasing tensions between the West and China, have brought the geopolitical aspect of market risk into greater focus.

The Board, the AIFM and the Portfolio Manager discuss and identify emerging risks as part of the risk identification process and have considered, amongst other things, the potential effects of the economic slowdown in China and ongoing global supply chain disruption on the Company's performance.

## RELATED PARTY TRANSACTIONS

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

## GOING CONCERN

The Directors believe, having considered the Company's investment objective, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

## DIRECTORS' RESPONSIBILITIES

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the Half Year Report have been prepared in accordance with applicable International Accounting Standards (IAS) 34; and
- (ii) the interim management report includes a true and fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

- (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report has not been audited by the Company's auditors.

This Half Year Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

For and on behalf of the Board

**Roger Yates**

Chairman

15 November 2022

# GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

## AIC

Association of Investment Companies.

## ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

## ALTERNATIVE PERFORMANCE MEASURE ("APMs")

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework. In selecting these APMs, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company. Definitions of the terms used and the basis of calculation are set out in this Glossary and the APMs are indicated with a caret (^).

## ACTIVE SHARE<sup>^</sup>

Active Share is expressed as a percentage and shows the extent to which a fund's holdings and their weightings differ from those of the fund's benchmark index. A fund that closely tracks its index might have a low Active Share of less than 20% and be considered passive, while a fund with an Active Share of 60% or higher is generally considered to be actively managed.

## CROSSOVER INVESTMENTS

Investments in a company's last private round prior to an initial public offering ("IPO").

## DISCOUNT OR PREMIUM<sup>^</sup>

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

	Pages	As at 30 September 2022 pence	As at 31 March 2022 pence
Share price	3	994.0	898.0
Net asset value per share (see note 5 on page 24 for further information)	3	1,049.7	957.8
Discount of share price to net asset value per share	3	5.3%	6.2%

## DRAWDOWN

A measure of downside volatility, a drawdown refers to how much an investment or sector is down from the peak before it recovers back to the peak.

## GEARING^

Gearing represents prior charges, adjusted for net current liabilities, expressed as a percentage of net assets. Prior charges includes all loans for investment purposes.

	Pages	As at 30 September 2022 £'000	As at 31 March 2022 £'000
Loan facility	20	25,460	31,741
Net current liabilities (excluding loan)	–	2,267	1,450
		27,727	33,191
Net assets	20	420,734	394,208
Gearing	3	6.6%	8.4%

## NET ASSET VALUE ("NAV")

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which are in issue at the relevant date. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares in the secondary market.

## NAV PER SHARE TOTAL RETURN^

The NAV per share total return for the period ended 30 September 2022 is calculated by taking the percentage movement from the NAV per share as at 31 March 2022 of 957.8p (31 March 2021: 1,446.4p) to the NAV at 30 September 2022 of 1,049.7p (30 September 2021: 1,327.0p). The Company has not paid any dividends to shareholders during the period.



## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES CONTINUED

ONGOING CHARGES<sup>a</sup>

Ongoing charges are calculated by taking the Company's annualised operating expenses expressed as a proportion of the average daily net asset value of the Company over the year.

The costs of buying and selling investments are excluded, as are interest costs, taxation, performance fees, cost of buying back or issuing ordinary shares and other non-recurring costs.

	Pages	As at 30 September 2022 £'000	As at 31 March 2022 £'000
AIFM and portfolio management fees*	–	3,816	4,734
Operating expenses*	–	665	678
Total expenses*	–	4,481	5,412
Average daily net assets for the period/year	–	388,909	507,333
Ongoing charges	3	1.2%	1.1%

\* Estimated expenses for the year ending 31 March 2023 based on assets as at 30 September 2022.

## OTC EQUITY SWAPS

Over-the-Counter ("OTC") refers to the process of how securities are traded via a broker - dealer network, as opposed to a centralised exchange.

An equity swap is an agreement where one party (counterparty) transfers the total return of an underlying equity position to the other party (swap holder) in exchange for a payment of the principal, and interest for financed swaps, at a set date. Total return includes dividend income and gains or losses from market movements. The exposure of the holder is the market value of the underlying equity position.

There are two main types of equity swaps:

- **Funded** – where payment is made on acquisition. They are equivalent to holding the underlying equity position with the exception of additional counterparty risk and not possessing voting rights in the underlying; and
- **Financed** – where payment is made on maturity. As there is no initial outlay, financed swaps increase exposure by the value of the underlying equity position with no initial increase in the investments value – there is therefore embedded leverage within a financed swap due to the deferral of payment to maturity.

## **REHYPOTHECATION**

Rehypothecation is the practice by banks and brokers of using collateral posted as security for loans as regulated by the U.S. Securities Exchange Commission.

## **SHARE PRICE TOTAL RETURN<sup>^</sup>**

The share price total return for the period ended 30 September 2022 is calculated by taking the percentage movement from the share price as at 31 March 2022 of 898.0p (31 March 2021: 1,426.0p) to the share price as at 30 September 2022 of 994.0p (30 September 2021: 1,206.0p). The Company has not paid any dividends to shareholders during the period.

<sup>^</sup> Alternative Performance Measure

## HOW TO INVEST

### RETAIL INVESTORS ADVISED BY IFAS

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relationship to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

### INVESTMENT PLATFORMS

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive and does not constitute any form of recommendation, can be found below:

AJ Bell Youinvest	<a href="http://www.youinvest.co.uk">www.youinvest.co.uk</a>
Barclays Stockbrokers	<a href="http://www.smartinvestor.barclays.co.uk">www.smartinvestor.barclays.co.uk</a>
Bestinvest	<a href="http://www.bestinvest.co.uk">www.bestinvest.co.uk</a>
Charles Stanley Direct	<a href="http://www.charles-stanley-direct.co.uk">www.charles-stanley-direct.co.uk</a>
Halifax Share Dealing	<a href="http://www.halifax.co.uk/Sharedealing">www.halifax.co.uk/Sharedealing</a>
Hargreaves Lansdown	<a href="http://www.hl.co.uk">www.hl.co.uk</a>
HSBC	<a href="http://www.hsbc.co.uk/investments">www.hsbc.co.uk/investments</a>
iDealing	<a href="http://www.idealing.com">www.idealing.com</a>
Interactive Investor	<a href="http://www.iii.co.uk">www.iii.co.uk</a>
IWEB	<a href="http://www.iweb-sharedealing.co.uk/share-dealing-home.asp">www.iweb-sharedealing.co.uk/share-dealing-home.asp</a>

## HOW TO INVEST CONTINUED

### LINK GROUP – SHARE DEALING SERVICE

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Link Group, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, investor code, full postcode and your date of birth. Your investor code can be found on your dividend confirmation or share certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact:

[www.linksharedeal.com](http://www.linksharedeal.com) (online dealing)

Telephone: 0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00 am – 4.30 pm, Monday to Friday excluding public holidays in England and Wales).

### RISK WARNINGS

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, all of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

# COMPANY INFORMATION

## DIRECTORS

Roger Yates (Chairman)

Steve Bates (Senior Independent Director and Chairman of the Management Engagement Committee)

Julia Le Blan (Chair of the Audit Committee)

Geoff Hsu

Dr Nicki Shepherd

The Rt Hon Lord Willetts FRS

## REGISTERED OFFICE

One Wood Street  
London EC2V 7WS

## WEBSITE

[www.biotechgt.com](http://www.biotechgt.com)

## COMPANY REGISTRATION NUMBER

3376377 (Registered in England and Wales)

The Company is an investment company as defined under Section 833 of the Companies Act 2006. The Company was incorporated in England and Wales on 20 May 1997. The Company was incorporated as Reabourne Merlin Life Sciences Investment Trust PLC.

## ALTERNATIVE INVESTMENT FUND MANAGER, COMPANY SECRETARY AND ADMINISTRATOR

Frostrow Capital LLP  
25 Southampton Buildings  
London WC2A 1AL

Telephone: 0203 008 4910  
E-Mail: [info@frostrow.com](mailto:info@frostrow.com)  
Website: [www.frostrow.com](http://www.frostrow.com)

Authorised and regulated by the Financial Conduct Authority.

## PORTFOLIO MANAGER

OrbiMed Capital LLC  
601 Lexington Avenue, 54th Floor  
New York NY10022 USA

Telephone: +1 212 739 6400

Website: [www.orbimed.com](http://www.orbimed.com)

Registered under the U.S. Securities and Exchange Commission.

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by e-mail, please contact Frostrow Capital LLP using the stated e-mail address.

## INDEPENDENT AUDITOR

BDO LLP  
55 Baker Street  
London W1U 7EU

## DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
London E14 5JP

## CUSTODIAN AND PRIME BROKER

J.P. Morgan Securities LLC  
Suite 1, Metro Tech Roadway  
Brooklyn, NY11201  
USA

## REGISTRAR

If you have any queries in relation to your shareholding please contact:

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
telephone +44 (0)371 664 0300  
Website: [www.linkgroup.eu](http://www.linkgroup.eu)

## SHAREHOLDER PORTAL

You can register online to view your holdings using the Share Portal, a service offered by Link Group at [www.signalshares.com](http://www.signalshares.com).

The Share Portal is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access to your shareholding details.

Through the Share Portal you may:

- Cast your proxy vote online;
- View your holding balance and get an indicative valuation;
- View movements on your holding;
- Update your address;
- Register and change bank mandate instructions so that dividends can be paid directly to your bank account;
- Elect to receive shareholder communications electronically; and
- Access a wide range of shareholder information including the ability to download shareholder forms.

## STOCK BROKER

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

## SOLICITORS

Charles Russell Speechlys  
5 Fleet Place  
London EC4M 7RD

# FINANCIAL CALENDAR

Financial Year End	31 March
Final Results Announced	June
Annual General Meeting	July
Half Year End	30 September
Half Year Results Announced	November

## IDENTIFICATION CODES

<b>Shares:</b>	
SEDOL:	0038551
ISIN:	GB0000385517
BLOOMBERG:	BIOG LN
EPIC:	BIOG
<b>Global Intermediary Identification Number (GIIN)</b>	U1 MQ70.99999.SL.826
<b>Legal Entity Identifier (LEI)</b>	549300Z41EP32MI2DN29







25 SOUTHAMPTON BUILDINGS  
LONDON WC2A 1AL

**[www.biotechgt.com](http://www.biotechgt.com)**



**@biotechgt**

## DISABILITY ACT

Copies of this interim report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Link Asset Services, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

**aic**

The Association of  
Investment Companies

**A member of the Association of Investment Companies**