

The Biotech Growth Trust PLC



Portfolio Manager



Geoffrey Hsu



Richard Klemm

Information as at 31 October 2019

www.biotechgt.com

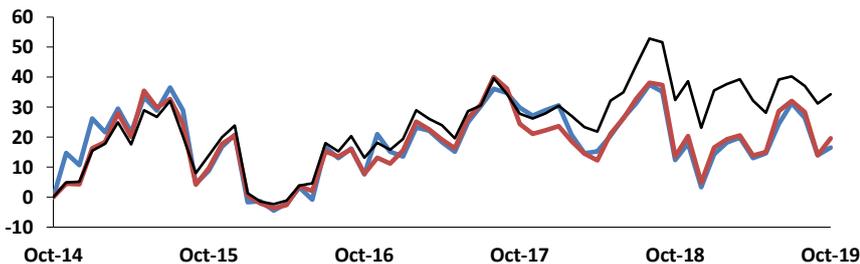
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Investment Objective and Benchmark Index

The Biotech Growth Trust PLC seeks capital appreciation through investment in the worldwide biotechnology industry. Performance is measured against its benchmark index, the NASDAQ Biotechnology Index (sterling adjusted).

Five Year Performance (%)

Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed; an investor may receive back less than the original amount invested.



Benchmark: NASDAQ Biotechnology Index (sterling adjusted) +34.3%

Net Asset Value per share (total return) +19.6%

Share Price (total return) +16.6%

Source: Morningstar, Index - Bloomberg.

Commentary

In October, the NAV per share was up 5.0%, the share price was up 2.3% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 2.4%.

Biotechnology and the healthcare sector outperformed the broader markets in October. As expected, the U.S. Federal Reserve again cut interest rates by 25 basis points, marking the third rate cut in 2019; no additional cuts are expected through the end of the year. Within healthcare, several drug distributors and manufacturers reached a settlement on opioids in October, ahead of the start of the first federal trial on opioid abuse. While not directly impacting biotechnology, we see the settlement of opioid litigation as a positive headline for the healthcare sector. A major development within biotechnology in October was the unexpected announcement from Biogen that the company would be moving forward with regulatory filings for its Alzheimer's Disease treatment aducanumab, despite announcing in March that Phase 3 trials of the drug were halted for futility. Re-analysis of a larger dataset showed aducanumab activity in one of two clinical trials, which the company believes is sufficient to justify approval. Despite the imperfect dataset, we believe there is a reasonable chance the FDA will approve aducanumab given the historical flexibility of the FDA's neurology division and the significant unmet need in Alzheimer's. If Biogen's aducanumab is indeed approved, this could potentially open up a multi-billion dollar therapeutic category. The Company owned some shares in Biogen prior to the filing announcement.

Vertex, Deciphera and Mirati were the top positive contributors to performance during the month. Vertex shares were strong after the early approval of Trikafta, the company's triple drug regimen for the treatment of cystic fibrosis, leading to an upward revision of the company's revenue guidance for 2019. We continue to view Vertex as the highest quality large-cap biotechnology company, and expect Trikafta will lead to near-term revenue inflection, while earlier-stage pipeline assets including CRISPR Therapeutics-partnered CTX001 in beta thalassemia and sickle cell disease could provide longer-term upside. Deciphera shares outperformed as a competitor product, avapritinib, in gastrointestinal stromal tumors (GIST) had a regulatory delay, with the U.S. FDA requesting additional placebo-controlled data in the fourth-line GIST setting. We see the avapritinib delay as a clear positive for the competitive positioning of Deciphera's ripretinib; the company has guided to an expected NDA submission in 2Q20. Shares in Mirati were strong after the company released initial data from its KRAS inhibitor MRTX849 showing clinical responses in non-small cell lung cancer and colorectal cancer, and a potentially differentiated profile from competitor KRAS inhibitors in development. We believe this data is strongly de-risking for the KRAS inhibitor class, and believe the category could represent a multi-billion dollar market opportunity.

Puma, Exelixis and MeiraGTX were the largest negative contributors to performance during the month. Puma shares were weak as the company announced the surprise departure of the company's Chief Commercial Officer. Additionally, positive data from a competitor product, tucatinib, in HER2+ breast cancer led analysts to question the competitive positioning and future commercial potential of Puma's Nerlynx. Shares of Exelixis declined as revenues of the company's key product, Cabometyx, fell below consensus estimates in renal cell carcinoma (RCC). While the RCC treatment paradigm continues to evolve, we expect Cabometyx to continue to capture meaningful share, with the potential to expand to first-line RCC pending additional data in 2020. MeiraGTX shares underperformed as a top shareholder which operates as an independent biotechnology company messaged its intent to sell its shares to fund its own operations. We see recent weakness as unrelated to the fundamentals of MeiraGTX's business and continue to view the company as underappreciated with multiple clinical-stage programs likely to drive value.

Biographies

Geoffrey C. Hsu, CFA, is a General Partner of OrbiMed, having joined in 2002 as a biotechnology analyst. Prior to joining OrbiMed, he worked as an analyst in the healthcare investment banking group at Lehman Brothers. Geoff received his A.B. degree summa cum laude from Harvard University and holds an M.B.A. from Harvard Business School. Prior to business school, he spent two years studying medicine at Harvard Medical School.

Richard D. Klemm, Ph.D., CFA, is a Public Equity Partner at OrbiMed focused on biotechnology companies. He completed a Ph.D. from the Massachusetts Institute of Technology in molecular biology in 2000. Richard has published scientific articles in the fields of DNA replication and transcription. He received a B.A. from the University of California, Berkeley in 1994 with majors in molecular and cell biology and economics.

Portfolio Manager Profile

Portfolio management services are provided by OrbiMed Capital LLC (OrbiMed). OrbiMed is owned by six principals, including Geoff Hsu. The U.S.-based firm employs over 80 experienced investment professionals who between them have extensive scientific, medical, financial and operational expertise. They employ a bottom-up stock selection process driven by intensive proprietary research, which involves company visits and developing an understanding of commercial prospects and development programmes for individual drugs. The firm covers some 600 international pharmaceutical and biotechnology companies, two thirds of which are actively researched. OrbiMed is registered as an investment adviser under the U.S. Securities and Exchange Commission (SEC). SEC registration does not imply a certain level of skill or training.

Investment Policy

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. The Company will not invest more than 15% of the value of its gross assets in any one individual stock at the time of acquisition. It will not invest more than 10% of the value of its gross assets in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Portfolio Manager or any affiliates of such entity. Up to US\$15m, after the deduction of proceeds of disposal and other returns of capital, may be invested in private equity funds managed by OrbiMed or an affiliate. The Company's borrowing policy is that borrowings will not exceed 20% of the Company's net assets. The Company may be unable to invest directly in certain countries. In these circumstances, the Company may gain exposure to companies in such countries by investing indirectly through swaps. Where the Company invests in swaps, exposure to underlying assets will not exceed 5% of the gross assets of the Company at the time of entering into the contract.

Discount Control Mechanism

The Directors have adopted an active discount management policy to establish and support an improved rating in the Company's shares through the use of share buybacks, with a view to limiting the discount to NAV per share at which the shares trade to no more than 6%. Shares bought back will be cancelled.

The Biotech Growth Trust PLC conducts its affairs so that its shares can be recommended by independent financial advisers ("IFAs") to retail private investors. The shares are excluded from the Financial Conduct Authority's ("FCA's") restrictions which apply to non-mainstream investment products because they are shares in a UK-listed investment trust.

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10 Largest Holdings at 31 October 2019 (% of total investments)

Name	Total
Vertex Pharmaceuticals	11.4
Biogen	5.8
Amgen	5.7
Mirati Therapeutics	5.0
Gilead Sciences	4.5
Deciphera Pharmaceuticals	4.2
Alexion Pharmaceuticals	4.1
CRISPR Therapeutics	4.1
Sarepta Therapeutics	3.7
Hansoh Pharmaceutical	3.5
Total	52.0

Geographical Breakdown as at 31 October 2019 (%)

North America	81.7%
Other	10.0%
Continental Europe	6.6%
*Unquoted	0.9%
United Kingdom	0.8%
Total	100.0%

* No more than 10% of gross assets will be invested in direct unquoted investments at the time of acquisition. The Company may also invest or commit for investment a maximum of US\$15m, after the deduction of proceeds of disposal and other returns of capital, in private equity funds managed by the Company's Portfolio Manager or an affiliate thereof.

Source: All portfolio information sourced from Frostrow Capital LLP

Discrete Performance – Calendar Years (%)

Percentage Growth 12 Month Return	2014	2015	2016	2017	2018	YTD
NAV	43.1	15.6	-7.6	9.9	-14.3	14.0
Share Price	44.9	9.1	-4.7	12.1	-19.9	12.8
Index	42.6	17.8	-6.5	10.5	-3.8	9.1

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Oct 14- Oct 15	Oct 15- Oct 16	Oct 16- Oct 17	Oct 17- Oct 18	Oct 18- Oct 19
NAV	9.6	-1.5	15.3	-8.7	5.3
Share Price	8.7	-1.1	20.6	-13.5	3.8
Index	13.8	-0.6	13.0	3.6	1.4

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Source: NAV (total return; fully diluted) & Share Price (total return) – Morningstar. Index - Bloomberg.

Risk Warnings

This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Company and has not been prepared in connection with any such offer or invitation. Before investing in the Company, or any other investment product, you should satisfy yourself as to its suitability and the risks involved, and you may wish to consult a financial adviser.

Any return you receive depends on future market performance and is uncertain. The Company does not seek any protection from future market performance so you could lose some or all of your investment. Shares of the Company are bought and sold on the London Stock Exchange (LSE). The price you pay or receive, like other listed shares, is determined by supply and demand and may be at a discount or premium to the underlying net asset value of the Company. Usually, at any given time, the price you pay for a share will be higher than the price you could sell it. For further information on the principal risks the Company is exposed to please refer to the Company's Annual Report or Investor Disclosure Document available at www.biotechgt.com. The Company can borrow to purchase investments, this could potentially magnify any losses or gains made by the Company.

Important Information

The Biotech Growth Trust PLC is a public limited company whose shares are premium listed on the LSE and is registered with HMRC as an investment trust. The Company has an indeterminate life, although shareholders consider and vote on the continuation of the Company every five years (the next such vote will be held in 2020).

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Fast Facts

As at 31 October 2019

Launch Date	June 1997
AIC Sector	Biotechnology & Healthcare
	Date of Appointment of OrbiMed 19 May 2005
Annual Management Fee (payable by the Company)	0.65% of net assets <u>plus</u> 0.30% of market cap. <u>plus</u> £60,000
Performance fee	See Annual Report for details
Ongoing charges*	1.1%
Continuation Vote	At AGM in 2020; every 5 years
Year / Half Year	31 March / 30 September
Capital Structure	44,928,796 Ordinary Shares of 25p

Trust Characteristics

Number of Holdings	45
Total Net Assets (£m)	£350.4m
Market Capitalisation (£m)	£320.8m
Dividend Policy	It is not anticipated that the Company will pay a dividend
Gearing (AIC basis)	1.5%
Leverage**	
Gross & Commitment	101.5%
Share Price (p)	714.00
NAV (p)	779.86
(Discount) / Premium	(8.4%)

*Calculated at the financial year end, includes management fees and all other operating expenses, excludes performance fees.

**The Board has set the leverage limit for both the Gross and the Commitment basis at 130% of the Company's Net Asset Value.

Codes

Sedol	0038551
ISIN	GB0000385517
Legal Entity Identifier (LEI)	549300Z41EP32MI2DN29
Global Intermediary Identification Number (GIIN)	U1MQ70.99999.SL.826
Bloomberg	BIOG LN
EPIC	BIOG

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