

The Biotech Growth Trust PLC



Portfolio Manager



Geoffrey Hsu



Richard Klemm

Information as at 30 November 2019

www.biotechgt.com

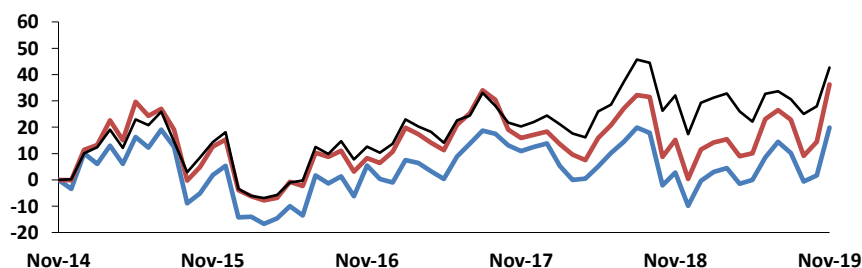


Investment Objective and Benchmark Index

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) +42.7%

Net Asset Value per share (total return) +36.3%

Share Price (total return) +19.9%

Source: Morningstar, Index - Bloomberg.

Commentary

In November, the NAV per share was up 19.1%, the share price was up 17.9% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 11.5%.

Biotechnology continued its strong outperformance relative to the broader markets in November. Sentiment in biotechnology has dramatically improved since September, driven in part by a number of high-premium M&A transactions in the space, including Novartis' \$9.7 bn acquisition of the Medicines Company. Sentiment has also improved due to several positive clinical trial readouts recently that have led to outsized positive stock performance. An additional tailwind for healthcare has been the changing dynamics of the U.S. Democratic Presidential primary race. Candidates with more moderate stances on healthcare and drug price reform, including former Vice President Joe Biden and Mayor Pete Buttigieg, have seen their polling numbers improve recently relative to more progressive candidates like Senators Elizabeth Warren and Bernie Sanders, both of whom have proposed major healthcare reform such as Medicare for All. Even Warren has recently moderated her stance on healthcare reform by stating that she would not attempt to implement Medicare for All immediately but would do so in a stepwise fashion over a few years. We continue to see the current healthcare reform proposals by the more progressive Democratic candidates as unlikely to be enacted.

CRISPR Therapeutics, Vertex and Sarepta were the top positive contributors to performance during the month. Shares in both CRISPR Therapeutics and its partner Vertex were strong after the companies released initial data from a Phase 1/2 trial of CTX001, a CRISPR-based gene editing candidate, for sickle cell disease and beta-thalassemia. The data was the first CRISPR gene editing data produced in humans and showed strong clinical benefit in treated patients, albeit in a small 2-patient cohort. We view this data as strongly de-risking for gene editing approaches, including additional programs in the CRISPR and Vertex partnership. Shares in Sarepta outperformed as a key competing treatment in Duchenne muscular dystrophy (DMD) gene therapy, Solid Biosciences' SGT-001, was put on FDA clinical hold due to a severe adverse event in the clinical trial. We continue to view Sarepta's SRP-9001 as the best-in-class gene therapy candidate for DMD with compelling initial efficacy data and a potentially differentiated safety profile from its competitors.

Curis, Ultragenyx and Hansoh Pharmaceutical were the largest negative contributors to performance during the month. Curis shares were weak as the company discontinued development of CA-170 in mesothelioma after disappointing initial clinical data. We continue to see value in CA-4948 as a potentially differentiated candidate in hematologic malignancies. Ultragenyx shares declined as the company reported Crysivta revenues slightly below consensus, and investors questioned the reasons behind the company's amendments in the development strategy of DTX301, a gene therapy candidate for ornithine transcarbamylase (OTC) deficiency. Given the missteps in the company's gene therapy pipeline, we have exited the position. Shares in Hansoh Pharmaceutical were weak on the last day of the month due to the announcement of results for China's National Drug Reimbursement List, which revealed more significant price cuts for innovative drugs than investors were anticipating. While drug pricing in China needs to be monitored, we continue to believe that the rise of innovative biotech companies in China represents an attractive long-term investment opportunity.

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.

The Biotech Growth Trust PLC

10 Largest Holdings at 30 November 2019 (% of total investments)

| Name | Total |
|-------------------------|-------------|
| Vertex Pharmaceuticals | 9.9 |
| Amgen | 5.2 |
| Neurocrine Biosciences | 5.2 |
| Mirati Therapeutics | 5.0 |
| CRISPR Therapeutics | 4.9 |
| Biogen | 4.6 |
| Sarepta Therapeutics | 4.2 |
| Gilead Sciences | 4.0 |
| Alexion Pharmaceuticals | 3.8 |
| MeiraGTx | 3.5 |
| Total | 50.3 |

Geographical Breakdown as at 30 November 2019 (%)

| | |
|--------------------|---------------|
| North America | 84.5% |
| Continental Europe | 7.4% |
| Other | 6.1% |
| United Kingdom | 1.3% |
| *Unquoted | 0.7% |
| 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 | 35.7 |
| Share Price | 44.9 | 9.1 | -4.7 | 12.1 | -19.9 | 33.0 |
| Index | 42.6 | 17.8 | -6.5 | 10.5 | -3.8 | 21.6 |

Standardised Discrete Performance (%)

| Percentage Growth 12 Month Return | Nov 14- Nov 15 | Nov 15- Nov 16 | Nov 16- Nov 17 | Nov 17- Nov 18 | Nov 18- Nov 19 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| NAV | 12.6 | -3.7 | 6.9 | -0.7 | 18.3 |
| Share Price | 1.8 | 3.6 | 5.1 | -7.3 | 16.6 |
| Index | 14.3 | -1.5 | 6.8 | 9.8 | 8.0 |

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.

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 30 November 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 | 43,851,887 Ordinary Shares of 25p |

Trust Characteristics

| | |
|-----------------------------------|--|
| Number of Holdings | 49 |
| Total Net Assets (£m) | £407.1m |
| Market Capitalisation (£m) | £369.2m |
| Dividend Policy | It is not anticipated that the Company will pay a dividend |
| Gearing (AIC basis) | 3.7% |
| Leverage** | |
| Gross & Commitment | 103.7% |
| Share Price (p) | 842.00 |
| NAV (p) | 928.43 |
| (Discount) / Premium | (9.3%) |

*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 |

How to Contact Us

Frostrow Capital LLP

25 Southampton Buildings, London, WC2A 1AL
 Tel.: 0203 0084910
 Fax: 0203 0438889
 Website: www.frostrow.com

Email: info@frostrow.com
 Twitter: @BiotechGT

