

The Biotech Growth Trust PLC



Portfolio Manager



Geoffrey Hsu



Richard Klemm

Information as at 31 December 2019

www.biotechgt.com

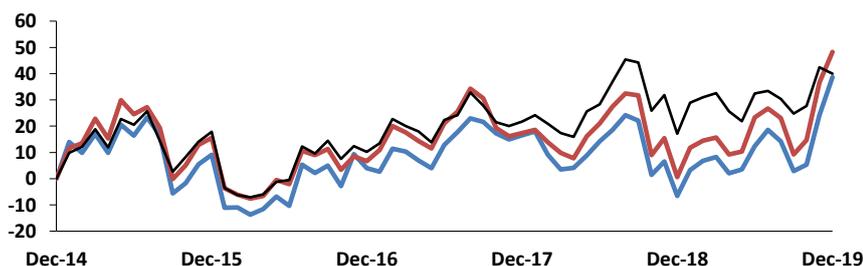
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Investment Objective and Benchmark Index

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.



Net Asset Value per share (total return) +48.4%

Benchmark: NASDAQ Biotechnology Index (sterling adjusted) +40.0%

Share Price (total return) +38.6%

Source: Morningstar, Index - Bloomberg.

Commentary

In December, the NAV per share was up 8.6%, the share price was up 11.6% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was down 1.7%.

Biotechnology continued its strong outperformance relative to the broader markets in December. The trend of high-premium M&A transactions continued, with Astellas' \$3bn acquisition of Audentes, Sanofi's \$2.5bn acquisition of Synthorx and Merck's \$2.7bn acquisition of ArQule. The Company owned shares of ArQule at the time of acquisition announcement. In December, the U.S. Federal Trade Commission also approved the closing of Roche's acquisition of Spark Therapeutics, announced in February 2019. The Company owned shares of Spark prior to the announcement of that acquisition. Increased M&A combined with continued positive clinical data readouts in biotechnology were strong tailwinds for sentiment in the fourth quarter.

On a macro level, December headlines were dominated by the impeachment of President Trump by the U.S. House of Representatives. A trial and subsequent vote by the Senate is expected in January; given a two-thirds majority vote is required in the Senate to remove the President, we expect President Trump will remain in office into the 2020 election. With regards to healthcare, President Trump also released a proposal to allow the importation of prescription drugs from Canada in an effort to lower U.S. drug prices. While drug pricing reform remains a bipartisan issue, we continue to see major legislative changes as unlikely in the near-term, particularly given the upcoming election and the current focus on impeachment.

Aurinia, ArQule and Mirati were the top positive contributors to performance during the month. Shares of Aurinia were strong after the company reported positive Phase 3 data for voclosporin in lupus nephritis. We view the data as a best-case scenario for Aurinia, and expect voclosporin to become a key part of standard of care for lupus nephritis, where current treatment options are very limited. Shares of ArQule outperformed after Merck announced its acquisition of the company at over a 100% premium to its last trading price. We believe ArQule's reversible BTK inhibitor ARQ531 has shown best-in-class activity to date. Mirati shares appreciated as the company released unexpected positive early data from sitravatinib in combination with a PD-1 inhibitor in ovarian cancer. We see these data as promising, though we continue to attribute most value in the company to the KRAS G12C inhibitor MRTX849, which we expect will be a multi-billion dollar drug class.

CRISPR Therapeutics, Sage Therapeutics and Neurocrine Biosciences were the largest negative contributors to performance during the month. CRISPR shares were relatively weak during December after recent outperformance following release of initial data from its gene editing program CTX001 in beta-thalassemia and sickle cell disease, as well as the unexpected resignation of the company's cofounder. Shares of Sage declined as SAGE-217 failed to meet the primary endpoint in a Phase 3 trial in major depressive disorder. Neurocrine shares declined after the release of a negative short report on the company. We continue to view Neurocrine as a high-quality mid-cap biotechnology company with strong commercial execution and pipeline optionality.

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 31 December 2019 (% of total investments)

Name	Total
Vertex Pharmaceuticals	7.9
Mirati Therapeutics	6.4
Neurocrine Biosciences	5.1
Amgen	4.8
Deciphera Pharmaceuticals	4.0
CRISPR Therapeutics	3.7
Gilead Sciences	3.5
Sarepta Therapeutics	3.4
MeiraGTx	3.2
Aurinia Pharmaceuticals	3.2
Total	45.2

Geographical Breakdown as at 31 December 2019 (%)

North America	85.6%
Other	6.6%
Continental Europe	6.2%
United Kingdom	0.9%
*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	2015	2016	2017	2018	2019
NAV	15.6	-7.6	9.9	-14.3	47.4
Share Price	9.1	-4.7	12.1	-19.9	48.5
Benchmark	17.8	-6.5	10.5	-3.8	19.6

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Dec 14- Dec 15	Dec 15- Dec 16	Dec 16- Dec 17	Dec 17- Dec 18	Dec 18- Dec 19
NAV	15.6	-7.6	9.9	-14.3	47.4
Share Price	9.1	-4.7	12.1	-19.9	48.5
Index	17.8	-6.5	10.5	-3.8	19.6

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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). This financial promotion is issued by Frostrow Capital LLP which is authorised and regulated by the Financial Conduct Authority ("FCA").

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Fast Facts

As at 31 December 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	42,177,824 Ordinary Shares of 25p

Trust Characteristics

Number of Holdings	56
Total Net Assets (£m)	£425.3m
Market Capitalisation (£m)	£396.5m
Dividend Policy	It is not anticipated that the Company will pay a dividend
Gearing (AIC basis)	8.2%

Leverage**	
Gross & Commitment	108.2%
Share Price (p)	940.00
NAV (p)	1008.32
(Discount) / Premium	(6.8%)

* 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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