

# The Biotech Growth Trust PLC



Portfolio Manager



Geoffrey Hsu

Information as at 29 February 2020

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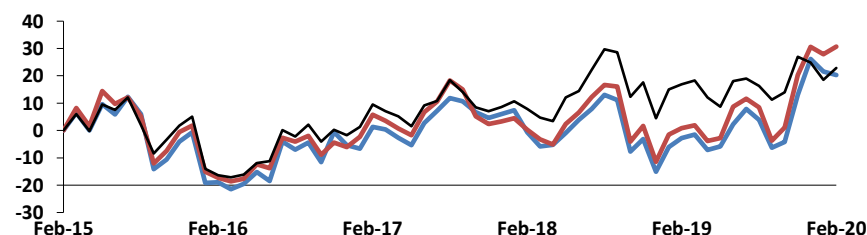
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## Investment Objective and Benchmark Index

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) +30.8%

Share Price (total return) +20.3%

Benchmark: NASDAQ Biotechnology Index (sterling adjusted) +22.9%

Source: Morningstar, Index - Bloomberg.

## Commentary

In February, the NAV per share was up 2.2%, the share price was down 1.1% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 3.7%.

Biotechnology outperformed the broader markets in February. While the global outbreak of the novel coronavirus continued to dominate headlines in February, we ultimately believe the situation will resolve similarly to past virus outbreaks, such as SARS and MERS. The coronavirus outbreak has led to volatility in stocks and pressures on the global economy, as many countries including China and Italy, have implemented significant travel bans and self-quarantine policies to limit further community spread. Despite palpable market panic, we see several potential near-term events which could allay investor fears, including signs that social distancing measures are effectively reducing the rate of new cases, the continued decline of initial mortality rate estimates as diagnosis rates increase (including increased diagnosis of mild or asymptomatic cases), advancements in treatments or vaccines for the virus in the next few months, and warmer weather with the arrival of spring, which could help to limit further viral spread. We note the spread of coronavirus in China appears to be declining, suggesting the outbreak can be managed. Our investment strategy in light of the coronavirus outbreak remains unchanged. We have not shifted to investing in companies developing potential treatments or vaccines for COVID-19, as the probability of success and ultimate revenue potential from those therapies remains unknown.

While some of the Company's portfolio companies have announced efforts to develop treatments for coronavirus, these programs are not the primary investment drivers for those positions, as we believe much of the COVID-related exuberance surrounding these stocks will likely be short-lived.

We believe fundamental investing will return and are capitalizing on undue volatility to add to quality stocks in the portfolio. While sales of certain drugs could be transiently impacted in the near-term with a decline in salesforce productivity, we do not believe the coronavirus outbreak will have a long-term fundamental impact on the biotech industry. CanSino Biologics, Regeneron and Biogen were the top positive contributors to performance during the month. Shares of CanSino Biologics were strong due to the announcement that the Chinese government had commissioned the company to develop a coronavirus vaccine. Our primary thesis on CanSino revolves around their vaccine for meningococcal infections. Shares of Regeneron outperformed as severe safety concerns arose over Novartis' new drug Beovu, a key competitor to Regeneron's Eylea for age-related macular degeneration. Investors had questioned the durability of the Eylea commercial franchise in the face of mounting competition, so the safety setback for Beovu was viewed as a meaningful positive for Regeneron. Biogen shares appreciated with the announcement of a positive patent ruling for Biogen's multiple sclerosis drug Tecfidera, whose intellectual property has been challenged by multiple generic companies. Investors also anticipate a regulatory filing shortly for the company's Alzheimer's disease treatment aducanumab. Given high unmet need in the disease, we expect aducanumab will be approved despite a mixed clinical dataset. Applied Therapeutics, Deciphera and Turning Point Therapeutics were the largest negative contributors to performance during the month. Applied Therapeutics shares were weak after strong gains in January following positive Phase 2 AT-007 data in galactosemia. We continue to view AT-007 as a promising treatment for galactosemia, a disease where there are no other treatment options. Deciphera shares declined after the company announced an equity raise, which led investors to question the prospects of a near-term acquisition of the company. We see ripretinib as a best-in-class treatment for gastrointestinal stromal tumors, and expect approval of the drug by its August PDUFA date. Turning Point shares underperformed as a founder of the company unexpectedly left the company. We do not see her departure as a meaningful negative for the company and continue to view Turning Point's tyrosine kinase inhibitor platform as best-in-class.

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## Biography

**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.

## 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 OrbiMed or any affiliate. 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 29 February 2020 (% of total investments)

Name	Total
Vertex Pharmaceuticals	6.9
Neurocrine Biosciences	5.7
Biogen	5.4
Mirati Therapeutics	5.2
Amgen	4.3
Gilead Sciences	4.0
Applied Therapeutics	3.7
CRISPR Therapeutics	3.5
CanSino Biologics	3.3
Deciphera Pharmaceuticals	3.3
<b>Total</b>	<b>45.3</b>

### Geographical Breakdown as at 29 February 2020 (%)

North America	83.9%
Other	8.3%
Continental Europe	5.0%
*Unquoted	2.2%
United Kingdom	0.6%
<b>Total</b>	<b>100.0%</b>

\* 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 OrbiMed or an affiliate thereof.

Source: All portfolio information sourced from Frostrow Capital LLP

### Discrete Performance – Calendar Years (%)

Percentage Growth	2015	2016	2017	2018	2019	YTD
NAV	15.6	-7.6	9.9	-14.3	47.4	0.1
Share Price	9.1	-4.7	12.1	-19.9	48.5	-4.7
Benchmark	17.8	-6.5	10.5	-3.8	19.6	-1.6

### Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Feb 15- Feb 16	Feb 16- Feb 17	Feb 17- Feb 18	Feb 18- Feb 19	Feb 19- Feb 20
NAV	-17.3	28.1	-5.2	0.5	29.7
Share Price	-18.9	25.0	-2.0	-2.2	23.8
Index	-16.4	30.9	-1.5	8.4	5.2

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](http://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 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 29 February 2020

<b>Launch Date</b>	June 1997
<b>AIC Sector</b>	Biotechnology & Healthcare
<b>Date of Appointment of OrbiMed</b>	19 May 2005
<b>Annual Management Fee</b> (payable by the Company)	0.65% of net assets <u>plus</u> 0.30% of market cap. <u>plus</u> £60,000
<b>Performance fee</b>	See Annual Report for details
<b>Ongoing charges*</b>	1.1%
<b>Continuation Vote</b>	At AGM in 2020; every 5 years
<b>Year / Half Year</b>	31 March / 30 September
<b>Capital Structure</b>	39,426,711 Ordinary Shares of 25p

### Trust Characteristics

<b>Number of Holdings</b>	57
<b>Total Net Assets (£m)</b>	£397.8m
<b>Market Capitalisation (£m)</b>	£353.3m
<b>Dividend Policy</b>	It is not anticipated that the Company will pay a dividend
<b>Gearing (AIC basis)</b>	11.2%
<b>Leverage**</b>	
<b>Gross &amp; Commitment</b>	111.2%
<b>Share Price (p)</b>	896.00
<b>NAV (p)</b>	1009.02
<b>(Discount) / Premium</b>	(11.2%)

\*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

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

### How to Contact Us

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In terms of investment team developments at OrbiMed, we would note that Richard Klemm, a co-portfolio manager of the Company, has resigned to pursue other opportunities. We expect minimal disruption from his departure given that we have four talented biotech analysts on the team, and all of the stocks under Richard's purview had already been co-covered by another analyst, so there remains continuity in research coverage. Given that the number of investable biotech companies has increased markedly over the past 2-3 years, we are in the process of hiring three more biotech associates to further buttress our research efforts. Geoffrey Hsu, who has been the lead portfolio manager since 2005, will remain as sole portfolio manager.

