

# The Biotech Growth Trust PLC



Portfolio Manager



Geoffrey Hsu

Information as at 30 September 2020

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

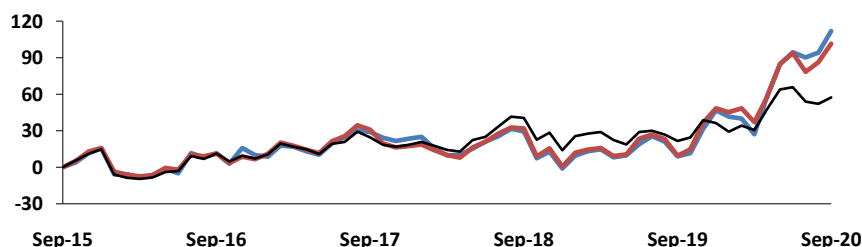
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## Investment Objective and Benchmark Index

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) +103.9%

Share Price (total return) +111.9%

Benchmark: NASDAQ Biotechnology Index (sterling adjusted) +57.4%

Source: Morningstar, Index - Bloomberg.

## Commentary

In September, the NAV per share was up 9.6%, the share price was up 9.2% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 3.5%.

Biotechnology outperformed the broader markets slightly in September, after underperforming in August. While overall COVID-19 case counts in the U.S. have declined from the July peak and remained stable throughout September, several states have emerged as new hotspots with increasing case numbers. Recent increases in COVID-19 case counts have also been noted in European countries including France and Spain, illustrating the difficulties associated with re-opening. Given these dynamics, we expect an effective vaccine or therapeutic treatment will be necessary for full-scale re-opening. Additional early-stage data from vaccine candidates and therapeutic treatments continue to show promise, and we expect the first Phase 3 data from vaccine trials could be released in October, with a potential emergency use approval in the U.S. by year-end.

The approaching U.S. general election on Nov. 3 remains a key focus for investors. Former Vice President Joe Biden has maintained his lead in national polls over President Donald Trump after a controversial first Presidential debate, and we believe investors are largely anticipating a Democratic sweep (with Democrats taking control of both Congress and the White House). While we see headline risk of potential healthcare reform in the event of a Democratic sweep, we continue to believe dramatic drug pricing legislation is unlikely to be passed in the near term. Given the discounted valuations in healthcare versus the S&P 500, we believe many of the election fears are already reflected in current share prices. Recent political headlines have been dominated by President Trump's COVID-19 diagnosis and its implications for the imminent election. While the President has since recovered from COVID-19, we believe the federal response to the pandemic remains a key issue for voters. Negotiations continue over another COVID-19 relief package; however, hopes that a deal can be reached before the election are dwindling.

Immunomedics, Forte Biosciences and PMV Pharmaceuticals were the top positive contributors to performance during the month. Immunomedics shares outperformed after the announcement of the company's proposed acquisition by Gilead Sciences for a 108% premium. We continue to expect Immunomedics' Trolvelvy to be a blockbuster treatment across multiple tumor types. Forte Biosciences shares rose as investors continued to gain familiarity with the company's differentiated approach in the treatment of atopic dermatitis. Shares of oncology company PMV were strong after the company's IPO. We see PMV's pipeline of treatments targeting p53 in various tumor types as promising and potentially transformative.

Neurocrine, Keros and Pandion were the largest negative contributors to performance during the month. Neurocrine shares were weak due to investor concerns over a possible slowing of Ingrezza sales due to the COVID-19 pandemic. We believe that while new patient starts on Ingrezza may have slowed in recent months, the ultimate potential of the drug after the COVID-19 pandemic is over is still substantial. Shares of Keros underperformed on no fundamental news. Pandion was weak due to investor concerns about possible clinical trial delays with the company's lead program, an IL-2 mutein for autoimmune conditions.

## 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 / Premium 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 the ex income NAV per share at which the shares trade to no more than 6%. Shares bought back will be cancelled. In order to help prevent the share price trading at a significant premium to the NAV per share, the Company has the authority to issue new shares at a 1% premium to the cum income NAV per share.

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 September 2020 (% of total investments)

Name	Total
Horizon Therapeutics	4.8
Forte Biosciences *	4.6
Neurocrine Biosciences	4.3
Biogen	4.1
Vertex Pharmaceuticals	3.6
Burning Rock Biotech	3.6
Turning Point Therapeutics	3.4
Alexion Pharmaceuticals	3.2
Amgen	3.0
Acceleron Pharma	2.9
<b>Total</b>	<b>37.5</b>

\*includes warrants

### Geographical Breakdown as at 30 September 2020 (%)

North America	73.4%
China	9.3%
Continental Europe	8.4%
*Unquoted	6.3%
Other	2.1%
United Kingdom	0.5%
<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. Of the 6.3% unquoted investments, 5.1% is classified as North America, 0.8% as China, and 0.4% as Asia.

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	37.4
Share Price	9.1	-4.7	12.1	-19.9	48.5	44.3
Benchmark	17.8	-6.5	10.5	-3.8	19.6	15.5

### Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Sep 15- Sep 16	Sep 16- Sep 17	Sep 17- Sep 18	Sep 18- Sep 19	Sep 19- Sep 20
NAV	11.3	17.4	0.9	-17.1	86.5
Share Price	11.2	15.9	0.4	-15.7	94.3
Index	11.4	11.7	12.8	-13.5	29.6

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 in 2025).

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 30 September 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>	2025 AGM and every 5th AGM thereafter
<b>Year / Half Year</b>	31 March / 30 September
<b>Capital Structure</b>	39,687,269 Ordinary Shares of 25p

### Trust Characteristics

<b>Number of Holdings</b>	74
<b>Total Net Assets (£m)</b>	£550.0m
<b>Market Capitalisation (£m)</b>	£538.2m
<b>Dividend Policy</b>	It is not anticipated that the Company will pay a dividend
<b>Gearing (AIC basis)</b>	7.5%
<b>Leverage</b>	107.5%
<b>Gross &amp; Commitment**</b>	
<b>Share Price (p)</b>	1356.00
<b>NAV (p)</b>	1385.77
<b>(Discount) / Premium</b>	(2.2%)

\*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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