

## **HALF YEAR REPORT & ACCOUNTS**

FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2021

# The Biotech Growth Trust PLC

The Biotech Growth Trust PLC (the “Company”) seeks capital appreciation through investment in the worldwide biotechnology industry. 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.

Further details of the Company’s investment policy are set out in the Company’s Annual Report and Accounts.

## MANAGEMENT

The Company has appointed Frostrow Capital LLP (“Frostrow”) as Alternative Investment Fund Manager (“AIFM”) to provide company management, company secretarial, administrative and marketing services. The Company and Frostrow have jointly appointed OrbiMed Capital LLC (“OrbiMed”) as Portfolio Manager. Further disclosures required under the Alternative Investment Fund Managers Directive (“AIFMD”) can be found on the Company’s website: [www.biotechgt.com](http://www.biotechgt.com).

## PERFORMANCE

Performance is measured against the NASDAQ Biotechnology Index (sterling adjusted), the Company’s benchmark.

## GEARING

The Company’s gearing policy is that borrowings will not exceed 20% of the Company’s net assets. The Company’s borrowing requirements are met through the utilisation of a loan facility, repayable on demand, provided by the Company’s prime broker, J.P. Morgan Securities LLC. As at 30 September 2021 the Company’s borrowings amounted to £19.3 million. As of this date the net gearing level was 4.7% (31 March 2021: 6.8%) of the Company’s net assets.

## CAPITAL STRUCTURE

As at 30 September 2021, the Company’s share capital comprised 41,622,156 ordinary shares, (31 March 2021: 41,584,769 ordinary shares).

## DIVIDEND POLICY

The Company invests with the objective of achieving capital growth and it is expected that dividends, if any, are likely to be small.

The Board intends only to pay dividends on the Company’s shares to the extent required in order to maintain the Company’s investment trust status.

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For more information about The Biotech Growth Trust PLC visit the website at

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



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# CHAIRMAN'S STATEMENT

ANDREW JOY



## INTRODUCTION AND RESULTS

Over the two years to 31 March 2021 the Company's Net Asset Value ("NAV") per share total return was 83.8%, and in the process it handsomely outperformed its benchmark, the NASDAQ Biotechnology Index (the "Benchmark"). The six months to 30 September 2021 saw something of a correction, with a fall in NAV over the period of 8.3%^, which compares to a rise of 10.3% in the Benchmark.

Some of the factors which contributed to this performance during the half year were the reversal of those that led to the outperformance in the previous two years. By way of backdrop, biotech was a particularly favoured growth sector at the height of the COVID-19 pandemic. However, starting earlier this year, and following signs of a rise in interest rates and receding fears about COVID-19, there has been significant rotation in the stock market from growth to value stocks. Within the biotech sector itself, there was a further significant shift in favour of large cap biotech stocks and away from smaller cap ones. As explained in previous shareholder reports, the Company is largely invested in smaller stocks, being the segment most responsible for innovation and therefore future growth. On page 5 of this report, the Portfolio Manager's Review has a chart showing the evolution of the relative values of large and smaller cap biotech.

Looking at stock specific analysis against the Benchmark, the majority of the portfolio's underperformance (approximately 11 percentage points of the 18.6%) was attributable to underweight positions in two large biotech stocks in particular, Moderna and BioNTech. The reason for these underweights is explained more fully in the Portfolio Manager's Review, but in essence the Portfolio Manager's belief is that the current high valuations placed on these stocks results in large part from their role in the supply of vaccines for COVID-19, and that as the pandemic in the developed world recedes, they

are at risk of losing some or all of their premium ratings. Since the end of the half year, those stocks have indeed given back a significant portion of their previous outperformance.

The Company has maintained its selective exposure to crossover investments (investments in a Company's last private funding round prior to an IPO) and to Chinese biotech, in both of which areas it has a differentiated level of expertise.

At the year end I reported that a significant performance fee had accrued. During the period a performance fee of £6.98 million crystallised and became payable on 30 June 2021. The balance of the performance fee accrual as at 31 March 2021 has now reversed as a result of the underperformance experienced over the period and there is currently no provision within the Company's NAV for any performance fee payable at a future calculation date.

## SHARE PRICE & NAV RETURNS

Mitigating some of the decline in value of our portfolio holdings, the Company's NAV benefited from the depreciation in sterling over the period by 2.3% against the U.S. dollar, being the currency in which the majority of the Company's investments are denominated. Over the period gearing was reduced from 6.8% to 4.7%^. The presence of gearing over the period detracted 0.7% from the Company's NAV performance.

The underperformance of NAV was amplified at the share price level, driven by a widening in the discount to NAV. At 31 March 2021 the discount to NAV was 1.4% and at 30 September, 9.1%^.

When combined with the decline in NAV, this increase in the discount, partly offset by the positive currency effect mentioned above, contributed to a share price fall over the six months of 15.4%^.

^Alternative Performance Measure (see Glossary beginning on page 29)

As I said at this stage last year, shareholders should bear in mind that positioning the portfolio for long term outperformance also carries the potential for enhanced volatility, and this has proved to be the case in this particular six months.

### DISCOUNT AND PREMIUM MANAGEMENT

The Company's shares continued to trade at a premium for the first three months of the period, leading to the issue of 150,000 new shares, at an average premium of 1.0% to the Company's cum income NAV per share, raising £2.1m of new funds.

However, towards the end of the period, the Company's share price fell to a discount to the NAV per share. Shareholders will be aware that the Company pursues an active discount management policy, buying back shares when the discount of the Company's share price to its NAV per share is higher than 6%. Accordingly, during the period the Company bought back 112,613 shares, at an average discount of 6.8% to the cum income NAV per share, at a cost of £1.4m.

At the period end there were 41,622,156 shares in issue and the share price traded at a 9.1% discount to the cum income NAV per share, reflecting volatile market conditions at that time. As we have previously commented, it remains possible for the share price discount to trade at a discount wider than 6% on any one day, however the Company remains committed to protecting a 6% share price discount over the longer term. Since the period end a further 463,474 shares have been bought back for cancellation and at the time of writing the share price discount stands at 5.5%.

### BOARD COMPOSITION

By the time of the Company's next Annual General Meeting in July 2022 (the "AGM"), I will have served ten years on the Board, six of which as Chairman. Accordingly, I have decided to retire at the conclusion of the AGM. The Board is in the final stages of a recruitment process to appoint my successor and it is expected that we will be able to make an announcement later this month.

### OUTLOOK

Since the end of the half year up to 8 November, the NAV of the Company has continued to move, in line with the Benchmark. The NAV is down 1.9% against a fall of 2.9% for the Benchmark. There are a number of possible catalysts for a return to a more positive environment, one being the passage of some healthcare legislation through Congress. This would allay fears of stringent new pricing arrangements, which are currently concerning the market, but which for the reasons given by the Portfolio Manager on page 10, are thought to be unduly pessimistic.

Looking further ahead, our Portfolio Manager is confident that the Company's portfolio is well positioned to benefit from continued innovation in the sector and any rebound of small cap biotech companies, to which the portfolio is weighted. In addition, a possible acceleration in mergers and acquisitions ("M&A") activity and a recovery in sentiment towards emerging markets would lead to an improvement in the Company's overall performance.

The Board shares the Portfolio Manager's optimism for the long term and anticipates a return to the outperformance achieved over the period since OrbiMed became the Company's portfolio manager.

**Andrew Joy**  
Chairman

10 November 2021

# COMPANY PERFORMANCE

## KEY STATISTICS

	As at 30 September 2021	As at 31 March 2021	% Change
Net asset value per share	1,327.0p	1,446.4p	-8.3%
Share price	1,206.0p	1,426.0p	-15.4%
Discount of share price to net asset value per share*	9.1%	1.4%	
Nasdaq Biotechnology Index – (sterling adjusted) "Benchmark"	3,777.7	3,423.9	+10.3%
Gearing*	4.7%	6.8%	
Ongoing Charges* (excluding performance fees)	1.0%	1.1%	
Active Share*	79.0%	76.3%	

\*Alternative Performance Measure (see Glossary on pages 29 to 32)

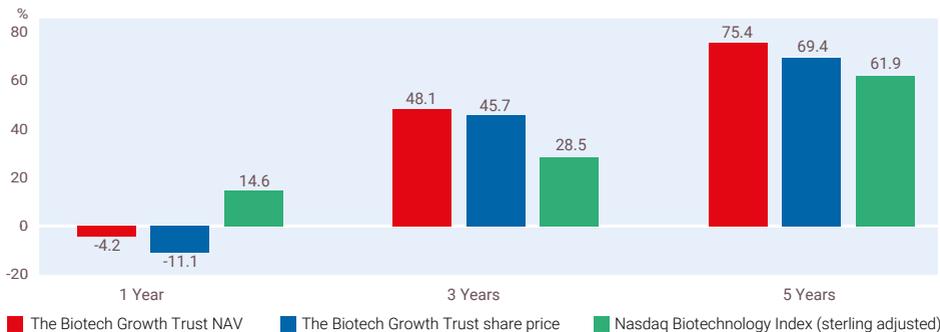
## SIX MONTH PERFORMANCE



— The Biotech Growth Trust share price — The Biotech Growth Trust NAV — Nasdaq Biotechnology Index (sterling adjusted)

Figures are rebased to 100 as at 31 March 2021. Source: Morningstar

## ONE, THREE AND FIVE YEAR PERFORMANCE TO 30 SEPTEMBER 2021



Source: Morningstar

# PORTFOLIO MANAGER'S REVIEW

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## Performance

The Company's NAV per share decreased by 8.3% during the six-month period ended 30 September 2021. This compares to a 10.3% increase in the Benchmark, the NASDAQ Biotechnology Index (measured on a sterling adjusted basis).

After posting a strong fiscal year of outperformance in the 12-month period ending 31 March 2021, the Company gave back some of those gains during the six-month review period. The period began with the continued rotation of investors from growth to value stocks, as managers positioned portfolios to overweight economically sensitive sectors that would benefit most from a reopening of the economy. Growth sectors like biotech, which had proven to be more defensive during the height of the COVID-19 pandemic in 2020, underperformed the broader markets during this period. In June, the Company enjoyed a sharp rebound, catalyzed by positive biotech industry developments, including approval of Aduhelm, a controversial drug for Alzheimer's disease, and a positive clinical data release for Intellia's gene editing program for amyloidosis, which had positive ramifications for the entire gene-editing sector. Unfortunately, that rebound proved to be short-lived, as July proved to be a difficult month for the Company due to its exposure to small cap biotech, which underperformed large cap biotech. August saw a rebound in biotech performance, but this was partially offset by general market weakness in Hong Kong, which adversely affected our China

investments. In September, the final month of the review period, there was a broad market-wide decline in the U.S. due to concerns about inflation and rising interest rates. However, the Company's NAV held up relatively well due to positive Phase 2/3 results for the COVID-19 vaccine being developed by Sichuan Clover Biopharmaceuticals, a Chinese crossover\* position.

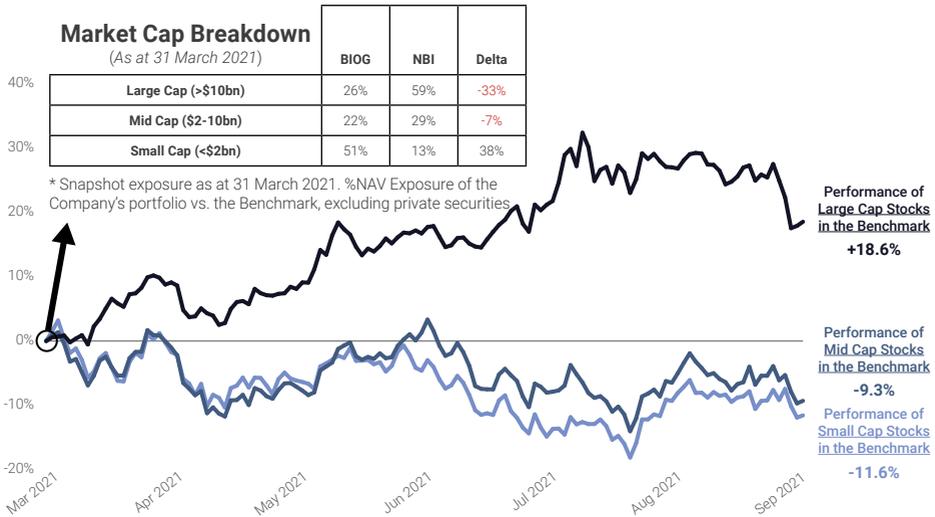
The underperformance of the Company versus the Benchmark during the review period was principally due to the Company's significant weighting in smaller cap biotech stocks.

As shown in the graph overleaf, as of 31 March 2021, the beginning of the review period, the Company was significantly overweight small cap biotech stocks (those with a market capitalization under U.S.\$2 billion) and significantly underweight large cap biotech (those with a market capitalization above U.S.\$10 billion) relative to the Benchmark. This positioning reflects the strategic shift that was implemented over the course of 2019 to tilt the Company towards emerging biotech names, the industry segment responsible for the bulk of the innovation in biotech. If one examines the average stock return of large cap versus small cap stocks in the Benchmark over the course of the review period, large cap stocks outperformed small cap stocks by over 30%. Given the Company's market cap distribution, this acted as a significant headwind to relative performance.

\* See Glossary beginning on page 29.

## PORTFOLIO MANAGER'S REVIEW CONTINUED

## MARKET CAP PERFORMANCE DIVERGENCE IN BIOTECHNOLOGY



Note: Chart shows equal-weighted performance of Benchmark stocks in their respective market cap buckets, using market cap classifications as at 31 March 2021. Updated as at 30 September 2021, performance calculated in USD.

Much of the small cap underperformance was likely due to profit taking, as many small cap stocks experienced strong performance in the prior fiscal year. Many of the initial public offerings ("IPOs") that delivered strong performance in 2020 also retraced their gains in 2021 on no fundamental news. We would note that small cap stocks underperformed large cap stocks generally in the U.S. across sectors during the review period, though the differential in performance was more pronounced for biotech.

Two companies in particular contributed to large cap outperformance in the Benchmark during the review period: Moderna and BioNTech. These companies developed the highly efficacious mRNA-based COVID-19 vaccines that have become the dominant vaccines in the U.S. While we recognize and applaud the impressive technological achievement of these companies in developing those vaccines, we were significantly underweight both names versus the Benchmark during the review period. The underweight

positioning was primarily due to our view that these companies had expensive valuations that already assumed significant future success of their platform technologies in other disease areas. We also believed that the recurring revenue from COVID-19 vaccines beyond the pandemic phase would not be as large as some investors were expecting. Moderna and BioNTech reached a peak weighting in the Benchmark of nearly 18% during the review period. At one point during the review period, Moderna overtook Amgen as the largest biotech company in the world by market cap and had a market cap larger than AstraZeneca, Bristol-Myers Squibb, Sanofi, and Glaxo SmithKline, all of which have larger, more diversified revenue bases. We estimate our underweight positioning in Moderna and BioNTech resulted in approximately 11 percentage points of underperformance during the review period. Our expectation is that as the COVID-19 pandemic continues to subside, the market caps of both names will recalibrate to more reasonable levels.

### Contributors to Performance

The principal contributors to performance during the review period were Sichuan Clover Biopharmaceuticals, Trillium Therapeutics, GH Research, Horizon Therapeutics, and DICE Therapeutics.

- **Sichuan Clover Biopharmaceuticals** is a private Chinese vaccine company which announced positive Phase 2/3 results for its COVID-19 protein subunit vaccine in September. The trial showed the vaccine had 79% efficacy against the Delta variant, making it one of the first vaccines to show strong efficacy against the Delta variant in a large-scale randomized clinical trial. The company went public in Hong Kong on 5 November.

- **Trillium Therapeutics** is an emerging clinical stage immuno-oncology company developing fusion proteins targeting various hematologic cancers. In late August, Pfizer announced that it was acquiring Trillium for \$2.26 billion in cash, representing a 200% premium to Trillium's stock price the day before the announcement.

- **GH Research** is a clinical stage biopharmaceutical company dedicated to developing therapies for the treatment of psychiatric and neurological disorders. The Company participated in a crossover round and subsequently in the IPO. Shares performed strongly after the IPO.

- **Horizon Therapeutics** is a specialty pharmaceutical company that launched Tepezza, a treatment for thyroid eye disease, in the U.S. in early 2020. The commercial launch has been exceptionally strong, beating consensus expectations over successive quarters. Management has continued to raise near term estimates for Tepezza sales, pushing the stock to all-time highs during the reported period.

- **DICE Therapeutics** is a biopharmaceutical company leveraging its proprietary technology platform to build a pipeline of novel oral therapeutic candidates to treat chronic diseases in immunology and other therapeutic areas. The company's lead asset is an oral anti-IL17 drug for psoriasis. The Company participated in the IPO and shares appreciated after the IPO.

### Detractors from Performance

The principal detractors from performance were Aptose Biosciences, Singular Genomics, Mersana Therapeutics, Keros Therapeutics, and Theravance Biopharma.

- **Aptose Biosciences** is an emerging biotech company developing personalized therapies addressing unmet medical needs in oncology, with an initial focus on hematology. Aptose shares underperformed after its treatment CG-806 for acute myeloid leukemia failed to show additional clinical responses in a clinical trial update compared to previous disclosures.

- **Singular Genomics** is an early-stage life science tools company developing next generation genetic sequencing products. The company executed an IPO in May and is set to commercialize its first product, the G4 sequencer, in late 2021. The stock was under pressure largely amid market weakness that saw reduced appetite for early-stage tools companies.

- **Mersana Therapeutics** develops antibody-drug conjugates (ADCs) for the treatment of cancer. Its lead ADC, UpRi, is currently in a Phase 3 trial in late-line platinum-resistant ovarian cancer. Shares of Mersana were weak after the company released updated early-stage data of UpRi showing some cases of serious pneumonitis, raising concerns about UpRi's safety profile. As a result, Mersana has amended the protocol for the ongoing Phase 3 trial to utilize a lower UpRi dose.

## PORTFOLIO MANAGER'S REVIEW CONTINUED

• **Keros Therapeutics** is a clinical-stage biopharmaceutical company focused on the discovery and development of novel treatments for patients suffering from hematologic and musculoskeletal disorders with high unmet medical need. Keros shares underperformed over the period after their lead asset KER-050 in myelodysplastic syndrome showed initial efficacy results which disappointed expectations.

• **Theravance Biopharma** is a biopharmaceutical company specializing in the discovery and development of organ-selective medicines. The company offers Yupelri, a once-daily, nebulized, long-acting muscarinic antagonist used for the treatment of chronic obstructive pulmonary disease ("COPD") and receives royalties from GlaxoSmithKline's triple combination therapy, Trelegy, which is approved in both COPD and asthma. Theravance's shares pulled back over the period due to pipeline failures of TD-1473, a gut-selective drug for ulcerative colitis, and ampreloxetine, a norepinephrine reuptake inhibitor for orthostatic hypotension.

### COVID-19 Coming Under Control

Our initial expectation at the outset of the COVID-19 pandemic was that the biopharmaceutical industry would successfully develop multiple effective vaccines and treatments for COVID-19. This has largely come to pass, and we have been encouraged by the steadily increasing adoption of the approved vaccines. While we underestimated the level of vaccine hesitancy in the population, vaccine mandates and fears over the Delta variant continued to increase the percent of vaccinated individuals in the developed world during the review period. As of 30 September, about 65% of the U.S. population had received at least one dose of a COVID-19 vaccine, and upcoming vaccine approvals in children should further increase this percentage. The recent news that Merck's oral pill, molnupiravir, reduced the risk of hospitalization or death by approximately

50% in patients with mild or moderate COVID-19 suggests the burden of disease from COVID-19 will continue to wane. It is possible that the Delta variant wave will be the last major COVID-19 wave in the U.S., given that most individuals are now either vaccinated or have been infected previously. Widespread vaccination in the developing world continues to be a challenge, but as more vaccines make their way through clinical trials, we expect total manufacturing capacity for COVID-19 vaccines to increase and prices to come down.

During the height of the COVID-19 pandemic, commercial biotech companies with promotion-sensitive products witnessed slower revenue growth since their salesforces could no longer visit physician offices in person. While the Delta variant surge delayed the full resumption of promotion activities for these companies, we expect a sales acceleration in 2022 now that Delta cases appear to be declining in the U.S. Delays in clinical trial commencement and enrollment due to COVID-19 no longer appear to be a significant issue for the industry.

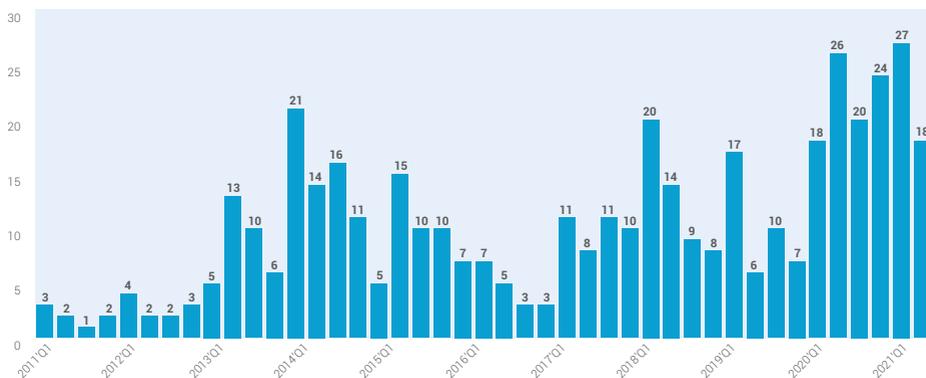
While biotech companies with COVID-19 programs experienced strong performance last year during the height of the pandemic and more recently with the Delta wave, we expect some of the exuberance for those stocks to abate as COVID-19 cases decline. While we transiently held some COVID-19-related stocks during the Delta surge, we largely exited those names as cases continued to decline in the U.S. By the end of the review period, the only remaining COVID-19-related names we owned were Novavax, a company with a protein subunit COVID-19 vaccine with positive Phase 3 results, and two crossover investments in China: Sichuan Clover, a vaccine company developing a protein subunit COVID-19 vaccine, and StemiRNA, a vaccine company developing an mRNA-based COVID-19 vaccine. We were able to make both Chinese investments at a significant discount to their U.S. peers.

As COVID-19 continues to wane as a phenomenon, generalist and retail investors who invested in biotech in 2020 primarily due to COVID-19 have reduced their exposure to the space. We believe this phenomenon contributed to the pullback in valuations in small and

midcap biotech during the review period but has largely played out. Over the long term, positive developments in non-COVID-19 programs should be able to support growth in the industry, as it has historically.

**IPO and Crossover Market Now More Valuation-Sensitive**

**BIOTECH IPOs – COUNT BY QUARTER**



Source: BofA Securities as of 19 April 2021.

As shown in the graph above, the IPO market for biotech companies remained robust throughout most of the review period. Appetite for biotech new issues remained healthy, underpinned by commitments from existing crossover investors in those companies. However, the period did witness significant retracements in performance for strong performing IPOs from 2020. Due to the reversion in performance of IPOs from 2020 and the broad selloff in small cap biotech in 2021, investors including us have become more valuation-sensitive for new IPOs, especially those without a near-term catalyst. We continue to participate in the IPO market because those companies are the ones developing the most innovative and novel technologies in the industry. The Company participated in 12 IPOs during

the review period. Because IPO investments are less liquid and in smaller cap names, the average position size in such investments are typically less than 1% of NAV, which has led to an increase in the number of names in the portfolio over the past one to two years. In order to retain adequate research focus on our existing portfolio, we do not intend to increase the name count in the portfolio beyond current levels.

In addition to IPO investments, the Company has remained active in making crossover investments, i.e. investments in a company's last private round prior to an IPO. The Company made five crossover investments during the review period, including investments in both U.S. and Chinese companies. The five investments were: GH Research, a company developing

## PORTFOLIO MANAGER'S REVIEW CONTINUED

a psychedelic drug for depression; Janux Therapeutics, a cancer immunotherapy company developing T-cell engagers; Awakn Life Sciences, a UK-based company developing a drug for alcohol use disorder; StemiRNA, a Chinese company developing an mRNA-based vaccine for COVID-19; and XtalPi, a Chinese artificial-intelligence drug discovery company. Three of the five crossover investments went public during the review period: GH Research, Janux Therapeutics, and Awakn Life Sciences. At 30 September, approximately 10% of the Company's NAV was invested in crossovers. We will continue to be selective about participating in crossover investments up to the 10% threshold permitted under the investment guidelines.

### **M&A Activity Could Accelerate with Recent Drawdown in Valuations**

M&A activity continued in the sector over the review period. Transactions included Merck's acquisition of Acceleron Pharma for \$11.5 billion, Sanofi's acquisition of Kadmon Holdings for \$1.9 billion, and Pfizer's acquisition of Trillium Therapeutics for \$2.3 billion. The Company benefited directly from the acquisition of Trillium Therapeutics, which was a 1.3% position prior to the acquisition's announcement. Management teams of large pharma have made it clear to investors that they are still very keen on acquiring biotech companies, both to obtain near-term commercial assets and to acquire interesting platform technologies. We would expect a possible acceleration in M&A activity with the recent drawdown in valuations in small cap biotech.

### **Regulatory Environment Remains Constructive; FDA Permanent Commissioner Appointment Imminent**

The constructive U.S. Food and Drug Administration (FDA) regulatory policies during the Trump administration appear to be continuing during the Biden administration.

As of 30 September 2021, 40 new drugs have been approved at the FDA, consistent with the annual pace of new drug approvals during former President Trump's term. Although there were some unexpected regulatory delays and rejections for drugs in early 2021, we believe those were likely due to COVID-19-related delays and do not reflect a new risk-averse stance at the FDA. The FDA's approval of aducanumab, a beta-amyloid antibody for Alzheimer's disease, in June 2021 despite a mixed Phase 3 dataset and a negative advisory committee vote shows that the agency remains flexible when evaluating innovative drugs for unmet medical needs.

President Biden will soon appoint a permanent FDA commissioner. Thus far, Janet Woodcock, a 35-year veteran at the FDA, has been serving as Acting FDA Commissioner during Biden's term, but it appears that her candidacy for permanent commissioner may be stymied by certain senators having issues with her record managing the opioid crisis in the U.S. At the time of writing, Robert Califf, a prominent cardiologist and former FDA commissioner during the Obama administration, is widely rumored to be the lead candidate for the position. He is regarded as industry friendly and will likely show deference to the judgment of FDA reviewers on new drug applications. At a time when certain FDA decisions regarding COVID-19 vaccines have been politicized, we believe the appointment of an FDA commissioner that will support data-driven decisions on drug approvals is important to restoring public confidence in the agency's independence and objectivity.

### **Short-Term Macro Headwinds in China, But Long-Term Thesis on Chinese Biotech Remains Intact**

During the review period, the Company's China holdings declined due to a deterioration in general market sentiment in Hong Kong. Over the past several months, the Chinese government took a number of sudden

regulatory actions across a wide variety of sectors, including internet technology, for-profit education, and the financial industry. These regulatory actions have diminished the investment attractiveness of Chinese companies. Although none of the recent regulations specifically targeted healthcare, healthcare stocks including biotech experienced a decline over the review period in tandem with the rest of the Hong Kong market. We estimate the Company's Chinese public equity exposure resulted in approximately two percentage points of underperformance versus the Benchmark.

The recent regulatory actions all appear to be instances in which particular industries had to be reined in to achieve the long-term goals of President Xi and the Chinese Communist Party. Importantly, we believe developing a Chinese biotech industry remains a key goal for the government, as evidenced by official published documents and multi-year plans emphasizing innovation. As a result, we expect constructive policies to continue to grow the industry and do not expect adverse regulatory action. In this context, we are still finding interesting opportunities in China, especially in the crossover space.

According to IQVIA, Inc. the percent of the global industry-wide early-stage drug pipeline from Chinese companies now approximates 12%, a four-fold rise in pipeline share in just the past five years. While we recognize that recent regulatory headlines have cooled interest in Hong Kong-listed stock and IPOs generally, we believe having some exposure to the rise of innovation in China is prudent for a diversified global biotech portfolio. As of 30 September, investments in China represented approximately 18% of the Company's NAV. While there is no formal limit on the proportion of emerging markets investments that can be made by the Company, we do not foresee our China exposure increasing much beyond the current level.

### **Political Drug Pricing Risk Appears Minimal; Certainty Should Lift Overhang**

At the time of writing, the Democrats in Congress are debating a \$1.5-2.0 trillion "Build Back Better" social programs bill that would include paid family leave, expanded child tax credits, and incentives to address climate change. For healthcare specifically, the bill would extend subsidies and expand eligibility for Obamacare plans, and potentially expand Medicare services to include dental, hearing and vision services which are not currently covered. This healthcare expansion would in part be paid for by lowering prescription drug prices. While the progressive wing of the Democratic party would like to see broad-based direct government negotiation of drug prices, this seems unlikely given the razor-thin majorities Democrats currently have in Congress. The Democrats can only afford to lose a few votes in the House and zero votes in the Senate in order to pass legislation along partisan lines. Already, some centrist Democrats have publicly announced their opposition to the progressives' plan regarding drug pricing. We believe a more likely scenario with regards to drug prices would be some drug price inflation caps, caps on out-of-pocket copays, and possible limited negotiation of pricing for older Medicare drugs that do not have existing competition. These incremental changes would be manageable for the biopharmaceutical industry. In our view, the industry would like some incremental drug pricing legislation to pass so that legislators can tell voters they did something about drug pricing and can then move on to other issues.

Historically speaking, the broad healthcare sector, including biotech, tends to trade at a discount to the broader S&P 500 when potential healthcare reform is being debated in Washington. This appears to be the case today. Just as in previous instances, we expect a relief rally once there is certainty about which drug pricing provisions are included in the final bill.

**PORTFOLIO MANAGER'S REVIEW** CONTINUED**Outlook**

Despite the Company's challenging recent performance, we have many reasons for optimism. All of the industry fundamentals we have outlined previously - robust innovation, M&A activity, a constructive regulatory environment, and reduced political risks - remain intact. Valuations relative to historical norms are compelling. Over the past decade, biotech has outpaced the returns delivered by the S&P 500 and other general market indexes. We regard the review period as a temporary pause in the sector's continued outperformance.

Given the magnitude of the underperformance of small cap biotech from the February highs, we are optimistic that small cap biotech will rebound from current levels. The drawdown that we have witnessed relative to the broader market is on par with the maximum drawdowns we have seen in this market segment previously, and historically such drawdowns have been followed by rallies of outperformance. At the time of writing, the portfolio remains overweight small cap biotech and underweight large cap biotech relative to the Benchmark, so the Company is well positioned to capture a small cap recovery when it materializes.

**OrbiMed Update**

With the broad availability of COVID-19 vaccines in the U.S., OrbiMed reopened its offices in September with a hybrid work schedule. We also recently hired an additional senior biotech analyst with 15 years of investment experience in biotech on 1 October. We will continue to expand our team of investment professionals as the investable biotech universe grows larger.

**Geoff Hsu**

OrbiMed Capital LLC  
Portfolio Manager

10 November 2021

# INVESTMENT PORTFOLIO

INVESTMENTS HELD AS AT 30 SEPTEMBER 2021

Security	Country/ Region	Fair value £'000	% of investments
Horizon Therapeutics	United States	27,359	4.7
Neurocrine Biosciences	United States	21,334	3.7
Guardant Health	United States	20,796	3.6
Sichuan Clover Biopharmaceuticals (unquoted)	China	19,521	3.4
GH Research+	Ireland	19,386	3.4
Vertex Pharmaceuticals	United States	18,027	3.1
Yisheng Biopharma (unquoted)	China	17,103	3.0
Gilead Sciences	United States	14,892	2.6
ImmunoGen	United States	14,575	2.5
Biogen	United States	14,138	2.4
<b>Ten largest investments</b>		<b>187,131</b>	<b>32.4</b>
Seagen	United States	14,085	2.4
Turning Point Therapeutics	United States	12,557	2.2
Keros Therapeutics	United States	12,049	2.1
CRISPR Therapeutics	Switzerland	11,754	2.0
Mirati Therapeutics	United States	11,437	2.0
XtalPi (Quantum Pharma) (unquoted)	China	11,283	1.9
Theravance Biopharma	United States	11,206	1.9
Singular Genomics+	United States	10,903	1.9
Milestone Pharmaceuticals	Canada	10,770	1.9
Graphite Bio+	United States	10,288	1.8
<b>Twenty largest investments</b>		<b>303,463</b>	<b>52.5</b>
Applied Therapeutics	United States	9,779	1.7
MeiraGTx	United States	9,629	1.7
Curis	United States	9,327	1.6
Magenta Therapeutics	United States	9,196	1.6
Mersana Therapeutics	United States	9,131	1.6
Amgen	United States	9,001	1.6
Aclaris Therapeutics	United States	8,667	1.5
Gracell Biotechnologies	China	8,338	1.4
Jounce Therapeutics	United States	8,198	1.4
Prelude Therapeutics	United States	8,046	1.4
<b>Thirty largest investments</b>		<b>392,775</b>	<b>68.0</b>
Alphamab Oncology	China	7,545	1.3
Vaxcyte	United States	7,514	1.3
Flexion Therapeutics	United States	7,492	1.3
HBM Holdings	China	7,151	1.2
Novavax	United States	7,000	1.2
Janux Therapeutics+	United States	6,783	1.2
Aerovate Therapeutics	United States	6,650	1.1
Catalyst Biosciences	United States	6,442	1.1
BioMarin Pharmaceutical	United States	6,357	1.1
DICE Therapeutics	United States	6,355	1.1
<b>Forty largest investments</b>		<b>462,064</b>	<b>79.9</b>

+ Holding subject to a post IPO lock-in period (see Glossary beginning on page 29 for further details).

## INVESTMENT PORTFOLIO CONTINUED

Security	Country/ Region	Fair value £'000	% of investments
Remegen	China	6,078	1.1
PMV Pharmaceuticals	United States	5,871	1.0
Natera	United States	5,687	1.0
VistaGen Therapeutics	United States	5,479	1.0
StemiRNA Therapeutics (unquoted)	China	5,448	0.9
Century Therapeutics+	United States	5,409	0.9
Intellia Therapeutics	United States	5,293	0.9
Nurix Therapeutics	United States	4,852	0.8
HK Inno	South Korea	4,029	0.7
Nanobiotix	France	3,960	0.7
<b>Fifty largest investments</b>		<b>514,170</b>	<b>88.9</b>
Iovance Biotherapeutics	United States	3,915	0.7
Burning Rock Biotech	China	3,274	0.6
Edgewise Therapeutics	United States	3,260	0.5
Landos Biopharma	United States	3,050	0.5
ALX Oncology Holdings	United States	2,974	0.5
Deciphera Pharmaceuticals	United States	2,969	0.5
Suzhou Basecare Medical	China	2,848	0.5
Cabaletta Bio	United States	2,715	0.5
Verona Pharma	United Kingdom	2,695	0.5
CSPC Pharmaceutical	China	2,640	0.5
<b>Sixty largest investments</b>		<b>544,510</b>	<b>94.2</b>
Aslan Pharmaceuticals	Singapore	2,572	0.5
Xenon Pharmaceuticals	Canada	2,561	0.4
AWAKN Life Sciences	Canada	2,448	0.4
Aptose Biosciences	Canada	2,241	0.4
OrbiMed Asia Partners L.P. (unquoted)*	Asia	2,093	0.4
InflaRx	Germany	2,044	0.4
ORIC Pharmaceuticals	United States	1,931	0.3
Field Trip Health	Canada	1,929	0.3
LogicBio Therapeutics	United States	1,754	0.3
Shanghai Junshi Biosciences	China	1,683	0.3
<b>Seventy largest investments</b>		<b>565,766</b>	<b>97.9</b>
Galapagos	Belgium	1,683	0.3
Prometheus Biosciences	United States	1,655	0.3
I-Mab	China	1,638	0.3
VectivBio Holding	Switzerland	1,631	0.3
Small Pharma	Canada	1,525	0.2
Harpoon Therapeutics	United States	1,180	0.2
Repare Therapeutics	Canada	958	0.2
Talaris Therapeutics	United States	929	0.2
Galecto	Denmark	764	0.1
Longboard Pharmaceuticals	United States	745	0.1
<b>Eighty largest investments</b>		<b>578,474</b>	<b>100.1</b>

+ Holding subject to a post IPO lock-in period (see Glossary beginning on page 29 for further details).

## INVESTMENT PORTFOLIO CONTINUED

Security	Country/ Region	Fair value £'000	% of investments
Fusion Pharmaceuticals	Canada	598	0.1
Hansoh Pharmaceutical	China	566	0.1
IMARA	United States	563	0.1
AWAKN Life Sciences warrant (unquoted)	Canada	268	0.0
<b>Total investments</b>		<b>580,469</b>	<b>100.4</b>
OTC Equity Swaps – Financed <sup>^</sup>			
BGI Genomics	China	4,363	0.8
Less: Gross exposure on financed swaps		(6,747)	(1.2)
<b>Total OTC Equity Swaps</b>		<b>(2,384)</b>	<b>(0.4)</b>
<b>Total investments including OTC Equity Swaps</b>		<b>578,085</b>	<b>100.0</b>

\* Partnership interest.

<sup>^</sup> See note 7 on pages 23 and 24 for further details in relation to the OTC Swaps.

All of the above investments are equities unless otherwise stated.

## PORTFOLIO BREAKDOWN

Investments	Fair value £'000	% of investments
<b>Quoted</b>		
Equities	524,753	90.8
<b>Total quoted investments</b>	<b>524,753</b>	<b>90.8</b>
<b>Unquoted</b>		
Equities	53,355	9.2
Warrants	268	–
Partnership interest	2,093	0.4
<b>Total unquoted investments</b>	<b>55,716</b>	<b>9.6</b>
<b>Derivatives</b>		
OTC Equity Swaps	(2,384)	(0.4)
<b>Total investments</b>	<b>578,085</b>	<b>100.0</b>

# PRINCIPAL CONTRIBUTORS TO AND DETRACTORS FROM NET ASSET VALUE PERFORMANCE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

<b>TOP FIVE CONTRIBUTORS</b>	Contribution for the Six months ended 30 September 2021 £'000	Contribution per share (pence)*
Sichuan Clover Biopharmaceuticals (unquoted)	14,320	34.3
Trillium Therapeutics+	7,755	18.6
GH Research	6,104	14.6
Horizon Therapeutics	4,651	11.2
DICE Therapeutics	3,110	7.5
	<b>35,940</b>	<b>86.2</b>

+ not held in the portfolio as at 30 September 2021

## TOP FIVE DETRACTORS

Aptose Biosciences	(10,389)	(24.9)
Singular Genomics	(8,595)	(20.6)
Mersana Therapeutics	(6,356)	(15.3)
Keros Therapeutics	(6,093)	(14.6)
Theravance Biopharma	(5,930)	(14.2)
	<b>(37,363)</b>	<b>(89.6)</b>

\* based on 41,693,267 shares being the weighted average number of shares in issue during the six month period ended 30 September 2021  
Source: Frostrow Capital LLP

# CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Notes	(Unaudited) Six months ended 30 September 2021			(Unaudited) Six months ended 30 September 2020			(Audited) Year ended 31 March 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Investment Income</b>										
Investment income	2	587	–	587	490	–	490	986	–	986
<b>Total income</b>		587	–	587	490	–	490	986	–	986
<b>(Losses)/gains on investments</b>										
(Losses)/gains on investments held at fair value through profit or loss		–	(57,118)	(57,118)	–	197,215	197,215	–	221,127	221,127
Exchange (losses)/gains on currency balances		–	(888)	(888)	–	1,973	1,973	–	3,394	3,394
<b>Expenses</b>										
AIFM, Portfolio management and performance fees	3	(134)	8,191	8,057	(185)	(20,843)	(21,028)	(268)	(23,826)	(24,094)
Other expenses		(310)	–	(310)	(235)	–	(235)	(647)	(30)	(677)
<b>Profit/(loss) before finance costs and taxation</b>		143	(49,815)	(49,672)	70	178,345	178,415	71	200,665	200,736
Finance costs		(4)	(78)	(82)	(6)	(116)	(122)	(9)	(170)	(179)
<b>Profit/(loss) before taxation</b>		139	(49,893)	(49,754)	64	178,229	178,293	62	200,495	200,557
Taxation		(73)	–	(73)	(68)	–	(68)	(131)	–	(131)
<b>Profit/(loss) for the period/year</b>		66	(49,893)	(49,827)	(4)	178,229	178,225	(69)	200,495	200,426
<b>Basic and diluted earnings/(loss) per share</b>	4	0.2p	(119.7)p	(119.5)p	0.0p	452.7p	452.7p	(0.2)p	500.7p	500.5p

The Company does not have any income or expenses which are not included in the profit or loss for the period. Accordingly the "loss for the period" is also the "Total Comprehensive Income for the period", as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

All of the profit and total comprehensive income for the period is attributable to the owners of the Company.

The "Total" column of the statement is the Company's Income Statement, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRS").

The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidelines published by the Association of Investment Companies.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The financial statements for the six months ended 30 September 2021 have not been audited by the Company's auditors.

# CONDENSED STATEMENT OF CHANGES IN EQUITY

## (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2021

	Ordinary Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2021	10,396	77,895	12,997	500,594	(415)	601,467
Net (loss)/profit for the period	–	–	–	(49,893)	66	(49,827)
Issue of new shares	37	2,056	–	–	–	2,093
Repurchase of own shares for cancellation	(28)	–	28	(1,396)	–	(1,396)
At 30 September 2021	10,405	79,951	13,025	449,305	(349)	552,337

## (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2020

	Ordinary Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2020	9,802	43,021	12,997	300,099	(346)	365,573
Net profit/(loss) for the period	–	–	–	178,229	(4)	178,225
Issue of new shares	120	6,056	–	–	–	6,176
At 30 September 2020	9,922	49,077	12,997	478,328	(350)	549,974

## (AUDITED) YEAR ENDED 31 MARCH 2021

	Ordinary Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2020	9,802	43,021	12,997	300,099	(346)	365,573
Net profit/(loss) for the year	–	–	–	200,495	(69)	200,426
Issue of new shares	594	34,874	–	–	–	35,468
At 31 March 2021	10,396	77,895	12,997	500,594	(415)	601,467

# CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	(Unaudited) 30 September 2021 £'000	(Unaudited) 30 September 2020 £'000	(Audited) 31 March 2021 £'000
<b>Notes</b>			
<b>Non current assets</b>			
Investments held at fair value through profit or loss	580,469	591,117	643,270
<b>Current assets</b>			
Other receivables	32	8,643	4,760
Cash and cash equivalents	3,871	–	1,502
	3,903	8,643	6,262
<b>Total assets</b>	584,372	599,760	649,532
<b>Current liabilities</b>			
Other payables	10,378	25,400	20,668
Loan facility	19,273	24,386	26,779
Derivative – OTC equity swaps	2,384	–	618
	32,035	49,786	48,065
<b>Net assets</b>	552,337	549,974	601,467
<b>Equity attributable to equity holders</b>			
Ordinary share capital	10,405	9,922	10,396
Share premium account	79,951	49,077	77,895
Capital redemption reserve	13,025	12,997	12,997
Capital reserve	449,305	478,328	500,594
Revenue reserve	(349)	(350)	(415)
<b>Total equity</b>	552,337	549,974	601,467
<b>Net asset value per share</b>	5	1,327.0p	1,446.4p

# CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	(Unaudited) Six months ended 30 September 2021 £'000	(Unaudited) Six months ended 30 September 2020 £'000	(Audited) Year ended 31 March 2021 £'000
<b>Operating activities</b>			
(Loss)/profit before taxation*	(49,754)	178,293	200,557
Add back interest expense	82	122	179
Losses/(gains) on investments held at fair value through profit & loss	57,118	(197,215)	(221,127)
Exchange losses/(gains) on currency balances	888	(1,973)	(3,394)
Decrease/(increase) in other receivables	6	(33)	3
(Decrease)/increase in other payables	(17,852)	18,952	18,239
Taxation paid	(73)	(68)	(131)
<b>Net cash outflow from operating activities</b>	<b>(9,585)</b>	<b>(1,922)</b>	<b>(5,674)</b>
<b>Investing activities</b>			
Purchases of investments and derivatives	(253,568)	(260,320)	(599,971)
Sales of investments and derivatives	273,301	262,566	574,422
<b>Net cash inflow/(outflow) from investing activities</b>	<b>19,733</b>	<b>2,246</b>	<b>(25,549)</b>
<b>Financing activities</b>			
Repurchase of shares for cancellation	(1,396)	-	-
Proceeds from the issue of shares	2,093	6,176	35,468
Net repayment of the loan facility	(8,394)	(6,378)	(2,564)
Finance costs - interest paid	(82)	(122)	(179)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(7,779)</b>	<b>(324)</b>	<b>32,725</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,369</b>	<b>-</b>	<b>1,502</b>
Cash and cash equivalents at start of period/year	1,502	-	-
<b>Cash and cash equivalents</b>	<b>3,871</b>	<b>-</b>	<b>1,502</b>

\* Includes dividends earned during the period/year of £532,000 (six months ended 30 September 2020: £453,000; year ended 31 March 2021: £875,000) and bond income of £55,000 (six months ended 30 September 2020: £37,000; year ended 31 March 2021: £111,000).

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	(Unaudited) Six months ended 30 September 2021 £'000	(Unaudited) Six months ended 30 September 2020 £'000	(Audited) Year ended 31 March 2021 £'000
Balance as at start of period/year	26,779	32,737	32,737
Net cash flow	(8,394)	(6,378)	(2,564)
Exchange losses/(gains) on currency balances	888	(1,973)	(3,394)
	19,273	24,386	26,779

# NOTES TO THE FINANCIAL STATEMENTS

## 1.A) GENERAL INFORMATION

The Biotech Growth Trust PLC is a company incorporated and registered in England and Wales. The Company operates as an investment trust company within the meaning of Section 833 of the Companies Act 2006 and has made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods commencing on or after 1 April 2012.

## 1.B) BASIS OF PREPARATION

The Company's condensed financial statements for the six months ended 30 September 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the financial information required for the full annual financial statements and have been prepared using accounting policies adopted in the audited financial statements for the year ended 31 March 2021.

Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Where presentational guidance set out in the statement of Recommended Practice (the "SORP") for Investment Trust Companies and Venture Capital Trusts produced by the Association of Investment Companies ("AIC") dated October 2019 and updated in April 2021. The Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

## 1.C) SEGMENTAL REPORTING

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

## 1.D) GOING CONCERN

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. The next continuation vote of the Company will be held at the Annual General Meeting in 2025 and further opportunities to vote on the continuation of the Company will be given to shareholders every five years thereafter.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. INCOME

	(Unaudited) Six months ended 30 September 2021 £'000	(Unaudited) Six months ended 30 September 2020 £'000	(Audited) Year ended 31 March 2021 £'000
<b>Investment income</b>			
Overseas dividend income	532	453	875
Fixed interest income	55	37	111
Total income	587	490	986

## 3. AIFM, PORTFOLIO MANAGEMENT AND PERFORMANCE FEES

	Revenue £'000	Capital £'000	Total (Unaudited) Six months ended 30 September 2021 £'000	Revenue £'000	Capital £'000	Total (Unaudited) Six months ended 30 September 2020 £'000	Revenue £'000	Capital £'000	Total (Audited) Year ended 31 March 2021 £'000
AIFM fee	40	757	797	39	732	771	84	1,600	1,684
Portfolio management fee	94	1,781	1,875	86	1,637	1,723	184	3,493	3,677
Performance fee (written back)/charged in the period/year*	–	(10,729)	(10,729)	–	18,534	18,534	–	18,733	18,733
	134	(8,191)	(8,057)	125	20,903	21,028	268	23,826	24,094

\*During the six months ended 30 September 2021, due to underperformance against the Benchmark and in accordance with the performance fee arrangements in place, a reversal of prior period provisions totalling £10,729,000 occurred (six months ended 30 September 2020: charge of £18,534,000; year ended 31 March 2021: charge of £18,733,000).

As at 30 September 2021, no performance fees were accrued or payable (31 March 2021: £17,708,000 accrued. The £17,708,000 accrual is included within the opening period's "Other payables" balance of £20,668,000 shown in the Condensed Statement of Financial Position on page 18). Of the 31 March 2021 accrual, £6,979,000 crystallised and became payable at 30 June 2021, resulting in the £10,729,000 reversal noted above.

The maximum that could become payable by September 2022 is £10,729,000. This would only be payable in full if the current period underperformance is reversed and the outperformance achieved as at 31 March 2021 is re-attained.

For further details on the performance fee arrangements see pages 42 and 43 of the 2021 Annual Report.

#### 4. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	(Unaudited) Six months ended 30 September 2021 £'000	(Unaudited) Six months ended 30 September 2020 £'000	(Audited) Year ended 31 March 2021 £'000
The earnings/(loss) per share is based on the following figures:			
Net revenue gain/(loss)	66	(4)	(69)
Net capital (loss)/gain	(49,893)	178,229	200,495
Net total (loss)/gain	(49,827)	178,225	200,426
Weighted average number of shares in issue during the period/year	41,693,267	39,373,690	40,046,064
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Revenue earnings/(loss) per share	0.2	–	(0.2)
Capital (loss)/earnings per share	(119.7)	452.7	500.7
Total (loss)/earnings per share	(119.5)	452.7	500.5

#### 5. NET ASSET VALUE PER SHARE

The Net Asset Value per share is based on the net assets attributable to equity shareholders of £552,337,000 (30 September 2020: £549,974,000; 31 March 2021: £601,467,000) and on 41,622,156 shares (30 September 2020: 39,687,269; 31 March 2021: 41,584,769) being the number of shares in issue at the period end.

#### 6. TRANSACTION COSTS

Purchase and sale transaction costs for the six months ended 30 September 2021 amounted to £517,000 (six months ended 30 September 2020: £530,000; year ended 31 March 2021: £1,435,000), broken down as follows: purchase transactions for the six months ended 30 September 2021 amounted to £201,000 (six months ended 30 September 2020: £259,000; year ended 31 March 2021: £851,000). Sale transactions amounted to £316,000 (six months ended 30 September 2020: £271,000; year ended 31 March 2021: £584,000). These costs comprise mainly commission.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7. INVESTMENTS

IFRS 13 requires the Company to classify fair value measurements using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 September 2021 the investment in OrbiMed Asia Partners LP Fund (the LP Fund), XtalPi (Quantum Pharma), Sichuan Clover Biopharmaceuticals, StemiRNA and Yisheng Biopharma have been classified as Level 3.

The LP Fund is valued quarterly by OrbiMed Advisors LLC and is audited annually by KPMG LLP. As the 30 September 2021 valuation is not yet available, the LP Fund has been valued at its net asset value as at 30 June 2021 (see Level 3 reconciliation on page 24). It is believed that the value of the LP Fund as at 30 September 2021 will not be materially different. If the value of the LP Fund was to increase or decrease by 10%, while other variables had remained constant, the return and net assets attributable to shareholders for the period ended 30 September 2021 would have increased or decreased by £209,000 (2020: £239,000).

The following investments have been valued by Duff & Phelps, an independent valuer, using the probability-weighted expected returns methodology: XtalPi, Sichuan Clover Biopharmaceuticals, StemiRNA and Yisheng Biopharma. If during the same period, the values of XtalPi, Sichuan Clover Biopharmaceuticals, StemiRNA and Yisheng Biopharma were to increase or decrease by 10%, the return and net assets attributable to shareholders would have increased or decreased by £5,336,000.

Awakn Life Sciences warrants have been classified as Level 2 at the period end. If the value of the warrants were to increase or decrease by 10%, the return and net assets attributable to shareholders would have increased or decreased by £27,000.

The table below sets out fair value measurements of financial assets in accordance with the IFRS13 fair value hierarchy system:

## (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2021

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	524,753	–	53,355	578,108
Derivatives: equity swap (liabilities)	–	(2,384)	–	(2,384)
Warrants	–	268	–	268
Partnership interest in LP Fund	–	–	2,093	2,093
<b>Total</b>	<b>524,753</b>	<b>(2,116)</b>	<b>55,448</b>	<b>578,085</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### (UNAUDITED) SIX MONTHS ENDED 30 SEPTEMBER 2020

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	550,908	–	13,690	564,598
Bond	–	–	7,193	7,193
Warrants	–	16,939	–	16,939
Partnership interest in LP Fund	–	–	2,387	2,387
<b>Total</b>	<b>550,908</b>	<b>16,939</b>	<b>23,270</b>	<b>591,117</b>

### (AUDITED) YEAR ENDED 31 MARCH 2021

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	605,536	251	37,483	643,270
Derivatives: equity swap (liabilities)	–	(618)	–	(618)
<b>Total</b>	<b>605,536</b>	<b>(367)</b>	<b>37,483</b>	<b>642,652</b>

### LEVEL 3 RECONCILIATION

Please see below a reconciliation disclosing the changes during the six months for the financial assets and liabilities, designated at fair value through profit or loss, classified as being Level 3.

	(Unaudited) Six months ended 30 September 2021 £'000	(Unaudited) Six months ended 30 September 2020 £'000	(Audited) Year ended 31 March 2021 £'000
Assets as at beginning of period	37,483	16,906	16,906
Purchase of unquoted investments	13,266	17,937	29,735
Sale of unquoted investments	–	–	(11,726)
Net movement in investment holding gains during the period/year	18,940	(1,399)	2,568
Transfer from level 3 to level 1	(14,241)	(10,174)	–
<b>Assets as at 30 September/31 March</b>	<b>55,448</b>	<b>23,270</b>	<b>37,483</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 8. PRINCIPAL RISKS PROFILE

The principal risks which the Company faces from its financial instruments are:

- i) market price risk, including currency risk, interest rate risk and other price risk;
- ii) liquidity risk; and
- iii) credit risk

**Market price risk** – This is the risk that the fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk.

**Liquidity risk** – This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

**Credit risk** – This is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction, which could result in the Company suffering a loss.

Further details of the Company's management of these risks can be found in note 14 of the Company's 2021 Annual Report.

There have been no changes to the management of or the exposure to these risks since the date of the Annual Report.

## 9. RELATED PARTY TRANSACTIONS

There have been no changes to the related party arrangements or transactions as reported in the Annual Report for the year ended 31 March 2021.

## 10. CREDIT RISK

J.P. Morgan Securities LLC (J.P. Morgan) may take assets with a value of up to 140% of the Company's loan facility as collateral. Such assets held by J.P. Morgan are available for rehypothecation\*.

As at 30 September 2021, the maximum value of assets available for rehypothecation was £27.0 million being 140% of the loan balance (£19.3 million) (30 September 2020: £34.2 million, 31 March 2021: £37.5 million).

\* See Glossary on pages 29 to 32.

## 11. COMPARATIVE INFORMATION

The financial information contained in this half year report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2021 and 2020 has not been audited by the Independent Auditor.

The information for the year ended 31 March 2021 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31 March 2021 have been filed with the Registrar of the Companies. The report of the Independent Auditor on those accounts was unqualified, did not include a reference to any matters to which the Independent Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

# INTERIM MANAGEMENT REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES

A review of the half year, including reference to the risks and uncertainties that existed during the period and the outlook for the Company can be found in the Chairman's Statement beginning on page 1 and in the Portfolio Manager's Review beginning on page 4. The principal risks faced by the Company fall into the following broad categories: objective and strategy; volatility and the level of discount/premium; portfolio performance; investment management key person risk; operational and regulatory (including cyber risk); market price risk; liquidity risk; shareholder profile; currency risk; the risk associated with the Company's loan facility; and credit risk. Information on each of these areas is given in the Strategic Report/ Business Review within the Annual Report and Accounts for the year ended 31 March 2021. In the view of the Board these principal risks and uncertainties are applicable to the remaining six months of the financial year as they were to the six months under review.

The Board, the AIFM and the Portfolio Manager continue to consider emerging risks and monitor, amongst other things, the potential for the Company's portfolio to be affected by the COVID-19 pandemic and geopolitical risks.

## RELATED PARTY TRANSACTIONS

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

## GOING CONCERN

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure projections, that the Company has adequate resources, an

appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## DIRECTORS' RESPONSIBILITIES

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the Half Year Report have been prepared in accordance with applicable International Accounting Standards, (IAS) 34; and
- (ii) the interim management report includes a true and fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related

party transactions described in the last annual report that could do so.

The Half Year Report has not been audited by the Company's auditors.

This Half Year Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

For and on behalf of the Board

**Andrew Joy**

Chairman

10 November 2021

# GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES ('APMS')

## AIC

Association of Investment Companies.

## ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

## ALTERNATIVE PERFORMANCE MEASURE ("APMs")

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework. In selecting these APMs, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company. Definitions of the terms used and the basis of calculation are set out in this Glossary and the APMs are indicated with a caret (^).

## ACTIVE SHARE

Active Share is expressed as a percentage and shows the extent to which a fund's holdings and their weightings differ from those of the fund's benchmark index. A fund that closely tracks its index might have a low Active Share of less than 20% and be considered passive, while a fund with an Active Share of 60% or higher is generally considered to be actively managed.

## CROSSOVER INVESTMENTS

Investments in a company's last private round prior to an initial public offering (IPO).

## DISCOUNT OR PREMIUM<sup>^</sup>

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

	Pages	As at 30 September 2021 pence	As at 31 March 2021 pence
Share price	3	1,206.0	1,426.0
Net asset value per share (see note 5 on page 22 for further information)	3	1,327.0	1,446.4
Discount of share price to net asset value per share	3	9.1%	1.4%

## GEARING<sup>A</sup>

Gearing represents prior charges, adjusted for net current liabilities, expressed as a percentage of net assets. Prior charges includes all loans for investment purposes.

	Pages	As at 30 September 2021 £'000	As at 31 March 2021 £'000
Loan facility	18	19,273	26,779
Net current liabilities (excluding loan and derivatives)	–	6,475	14,406
		25,748	41,185
Net assets	18	552,337	601,467
Gearing	3	4.7%	6.8%

## IPO LOCK-IN

When a company offers shares in an initial public offering (IPO), investors sometimes enter into a lock-in agreement preventing them from selling their shares for a specific period after the IPO.

## NET ASSET VALUE ("NAV")

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares in the secondary market.

## NET ASSET VALUE PER SHARE TOTAL RETURN<sup>A</sup>

The net asset value per share total return for the period ended 30 September 2021 is calculated by taking the percentage movement from the net asset value per share as at 31 March 2021 of 1,446.4p to the net asset value at 30 September 2021 of 1,327.0p. The Company has not paid any dividends to shareholders during the above mentioned period.

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES ('APMS') CONTINUED

**ONGOING CHARGES<sup>A</sup>**

Ongoing charges are calculated by taking the Company's annualised operating expenses expressed as a proportion of the average daily net asset value of the Company over the year.

The costs of buying and selling investments are excluded, as are interest costs, taxation, performance fees, cost of buying back or issuing ordinary shares and other non-recurring costs.

	Pages	As at 30 September 2021 £'000	As at 31 March 2021 £'000
AIFM and Portfolio Management fees*	–	5,132	5,361
Operating expenses*	–	652	677
Total expenses*	–	5,784	6,038
Average assets for the period/year	–	561,566	551,514
Ongoing charges	3	1.0%	1.1%

\* Estimated expenses for the year ending 31 March 2022 based on assets as at 30 September 2021.

**OTC EQUITY SWAPS**

Over-the-Counter (OTC) refers to the process of how securities are traded via a broker - dealer network, as opposed to a centralised exchange.

An equity swap is an agreement where one party (counterparty) transfers the total return of an underlying equity position to the other party (swap holder) in exchange for a payment of the principal, and interest for financed swaps, at a set date. Total return includes dividend income and gains or losses from market movements. The exposure of the holder is the market value of the underlying equity position.

There are two main types of equity swaps:

- Funded – where payment is made on acquisition. They are equivalent to holding the underlying equity position with the exception of additional counterparty risk and not possessing voting rights in the underlying; and
- Financed – where payment is made on maturity. As there is no initial outlay, financed swaps increase exposure by the value of the underlying equity position with no initial increase in the investments value – there is therefore embedded leverage within a financed swap due to the deferral of payment to maturity.

During the period the Company invested in financed swaps.

## **REHYPOTHECATION**

Rehypothecation is the practice by banks and brokers of using collateral posted as security for loans as regulated by the U.S. Securities Exchange Commission.

## **SHARE PRICE TOTAL RETURN<sup>^</sup>**

The share price total return for the period ended 30 September 2021 is calculated by taking the percentage movement from the share price as at 31 March 2021 of 1,426.0p to the share price as at 30 September 2021 of 1,206.0p. The Company has not paid any dividends to shareholders during the above mentioned period.

<sup>^</sup> Alternative Performance Measure

# HOW TO INVEST

## RETAIL INVESTORS ADVISED BY IFAS

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relationship to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## INVESTMENT PLATFORMS

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	<a href="http://www.youinvest.co.uk">www.youinvest.co.uk</a>
Ascentric	<a href="http://www.ascentric.co.uk">www.ascentric.co.uk</a>
Barclays Stockbrokers	<a href="http://www.smartinvestor.barclays.co.uk">www.smartinvestor.barclays.co.uk</a>
Bestinvest	<a href="http://www.bestinvest.co.uk">www.bestinvest.co.uk</a>
Charles Stanley Direct	<a href="http://www.charles-stanley-direct.co.uk">www.charles-stanley-direct.co.uk</a>
Halifax Share Dealing	<a href="http://www.halifax.co.uk/Sharedealing">www.halifax.co.uk/Sharedealing</a>
Hargreaves Lansdown	<a href="http://www.hl.co.uk">www.hl.co.uk</a>
HSBC	<a href="http://www.hsbc.co.uk/investments">www.hsbc.co.uk/investments</a>
iDealing	<a href="http://www.idealing.com">www.idealing.com</a>
Interactive Investor	<a href="http://www.iii.co.uk">www.iii.co.uk</a>
IWEB	<a href="http://www.iweb-sharedealing.co.uk/share-dealing-home.asp">www.iweb-sharedealing.co.uk/share-dealing-home.asp</a>
Saxo Markets	<a href="http://www.home.saxo">www.home.saxo</a>
Wealthclub	<a href="http://www.wealthclub.co.uk">www.wealthclub.co.uk</a>

### LINK GROUP – SHARE DEALING SERVICE

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Link Group, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, investor code, full postcode and your date of birth. Your investor code can be found on your dividend confirmation or share certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact:

[www.linksharedeal.com](http://www.linksharedeal.com) (online dealing)

Telephone: 0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00 am – 4.30 pm, Monday to Friday excluding public holidays in England and Wales).

### RISK WARNINGS

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, all of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

# COMPANY INFORMATION

## DIRECTORS

Andrew Joy (Chairman)

Steve Bates (Senior Independent Director and Chairman of the Management Engagement Committee)

Julia Le Blan (Chair of the Audit Committee)

Geoff Hsu

Dr Nicki Shepherd

The Rt Hon Lord Willetts FRS

## REGISTERED OFFICE

One Wood Street  
London EC2V 7WS

## WEBSITE

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

## COMPANY REGISTRATION NUMBER

3376377 (Registered in England and Wales)

The Company is an investment company as defined under Section 833 of the Companies Act 2006. The Company was incorporated in England and Wales on 20 May 1997. The Company was incorporated as Reabourne Merlin Life Sciences Investment Trust PLC.

## ALTERNATIVE INVESTMENT FUND MANAGER, COMPANY SECRETARY AND ADMINISTRATOR

Frostrow Capital LLP  
25 Southampton Buildings  
London WC2A 1AL

Telephone: 0203 008 4910  
E-Mail: [info@frostrow.com](mailto:info@frostrow.com)  
Website: [www.frostrow.com](http://www.frostrow.com)

Authorised and regulated by the Financial Conduct Authority.

## PORTFOLIO MANAGER

OrbiMed Capital LLC  
601 Lexington Avenue, 54th Floor  
New York NY10022 USA

Telephone: +1 212 739 6400

Website: [www.orbimed.com](http://www.orbimed.com)

Registered under the U.S. Securities and Exchange Commission.

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by e-mail, please contact Frostrow Capital LLP using the stated e-mail address.

## INDEPENDENT AUDITOR

BDO LLP  
55 Baker Street  
London W1U 7EU

## DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
London E14 5JP

## CUSTODIAN AND PRIME BROKER

J.P. Morgan Securities LLC  
Suite 1, Metro Tech Roadway  
Brooklyn, NY11201  
USA

## REGISTRAR

If you have any queries in relation to your shareholding please contact:

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
telephone +44 (0)371 664 0300  
Website: [www.linkgroup.eu](http://www.linkgroup.eu)

## SHAREHOLDER PORTAL

You can register online to view your holdings using the Share Portal, a service offered by Link Group at [www.signalshares.com](http://www.signalshares.com).

The Share Portal is an online service enabling you to quickly and easily access and maintain your shareholding online

– reducing the need for paperwork and providing 24 hour access to your shareholding details.

Through the Share Portal you may:

- Cast your proxy vote online;
- View your holding balance and get an indicative valuation;
- View movements on your holding;
- Update your address;
- Register and change bank mandate instructions so that dividends can be paid directly to your bank account;
- Elect to receive shareholder communications electronically; and
- Access a wide range of shareholder information including the ability to download shareholder forms.

## STOCK BROKER

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dow Gate Hill  
London EC4R 2GA

## SOLICITORS

Charles Russell Speechlys  
5 Fleet Place  
London EC4M 7RD

# FINANCIAL CALENDAR

Financial Year End	31 March
Final Results Announced	May/June
Annual General Meeting	July
Half Year End	30 September
Half Year Results Announced	November

## IDENTIFICATION CODES

<b>Shares:</b>	
SEDOL:	0038551
ISIN:	GB0000385517
BLOOMBERG:	BIOG LN
EPIC:	BIOG
<b>Global Intermediary Identification Number (GIIN)</b>	U1 MQ70.99999.SL.826
<b>Legal Entity Identifier (LEI)</b>	549300Z41EP32MI2DN29







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LONDON WC2A 1AL

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

 @biotechgt

## DISABILITY ACT

Copies of this interim report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Link Asset Services, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

# aic

The Association of  
Investment Companies

**A member of the Association of Investment Companies**