

# The Biotech Growth Trust PLC



Portfolio Manager



Richard Klemm

Geoffrey Hsu

Information as at 31 August 2018

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

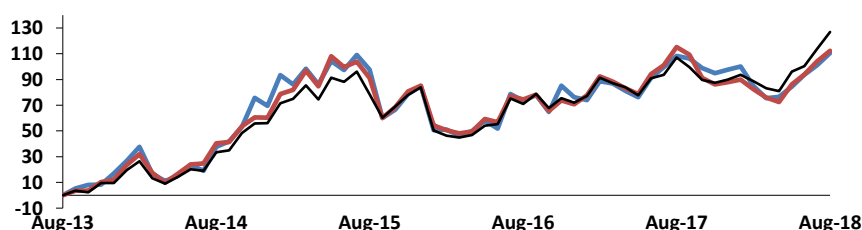
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## Investment Objective and Benchmark Index

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.



Benchmark: NASDAQ Biotechnology Index (sterling adjusted) +126.9%

**Net Asset Value per share (total return) +112.3%**

**Share Price (total return) +110.5%**

Source: Morningstar, Index - Bloomberg.

## Commentary

In August, the NAV per share was up 3.9%, the share price was up 4.7% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 6.2%.

During the month the Centers for Medicare and Medicaid Services announced it would allow the use of "step therapy" in Medicare Advantage plans for Part B drugs beginning in 2019, with an aim to ultimately lower drug costs. The new CMS plan allows Medicare Advantage plans to first utilize lower-cost preferred medications prior to using more expensive treatments for a condition. We see this as one of the first formal measures by the administration to control drug costs for consumers and anticipate further policies to be released throughout 2018, though we continue to see the drug pricing debate as relatively benign for the industry.

Fluidigm, DBV Technologies and Neurocrine were the top positive contributors to performance during the month. Fluidigm shares appreciated in August based on strong earnings growth and solid financial guidance. Shares of DBV were strong during the month as investors anticipated near-term regulatory filings for the company's peanut allergy treatment Viaskin Peanut. Neurocrine outperformed during August following a continued impressive launch of its tardive dyskinesia drug, Ingrezza, which has so far surpassed consensus estimates.

Insmed, Clovis and Athenex were the largest negative contributors to performance during the month. Insmed shares were weak surrounding an FDA Advisory Committee meeting for the company's nontuberculous mycobacterial lung disease treatment, ALIS. While the Advisory Committee recommended approval of ALIS, the recommended indication was more restrictive than investors had anticipated. Shares of Clovis underperformed in sympathy with underwhelming sales from a competitor in the ovarian cancer space, leading investors to question the market potential of PARP inhibitors including Clovis' Rubraca. Athenex shares were weak following a miss in reported 2Q revenue. The main value driver for Athenex remains their breast cancer drug Oraxol, due to report Phase 3 results next year.

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## Biographies

**Richard D. Klemm**, Ph.D., CFA, is a Public Equity Partner at OrbiMed focused on biotechnology companies. He completed a Ph.D. from the Massachusetts Institute of Technology in molecular biology in 2000. Dr. Klemm has published scientific articles in the fields of DNA replication and transcription. He received a B.A. from the University of California, Berkeley in 1994 with majors in molecular and cell biology and economics.

**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. Mr. Hsu 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 Geoffrey Hsu. The U.S.-based firm employs over 90 experienced investment professionals who between them have extensive scientific, medical, financial and operational expertise. They employ a bottom-up stock selection process driven by intensive proprietary research, which involves company visits and developing an understanding of commercial prospects and development programmes for individual drugs. The firm covers some 600 international pharmaceutical and biotechnology companies, two thirds of which are actively researched. OrbiMed is registered as an investment adviser under the U.S. Securities and Exchange Commission (SEC). SEC registration does not imply a certain level of skill or training.

## Investment Policy

In order to achieve its investment objective, the Company invests in a diversified portfolio of shares and related securities in biotechnology companies on a worldwide basis. The Company will not invest more than 15% of the value of its gross assets in any one individual stock at the time of acquisition. It will not invest more than 10% of the value of its gross assets in direct unquoted investments at the time of acquisition. This limit does not include any investment in private equity funds managed by the Portfolio Manager or any affiliates of such entity. Up to US\$15m, after the deduction of proceeds of disposal and other returns of capital, may be invested in private equity funds managed by OrbiMed Capital LLC or an affiliate. The Company's borrowing policy is that borrowings will not exceed 20% of the Company's net assets. The Company may be unable to invest directly in certain countries. In these circumstances, the Company may gain exposure to companies in such countries by investing indirectly through swaps. Where the Company invests in swaps, exposure to underlying assets will not exceed 5% of the gross assets of the Company at the time of entering into the contract.

## Discount Control Mechanism

The Directors have adopted an active discount management policy to establish and support an improved rating in the Company's shares through the use of share buybacks, with a view to limiting the discount to NAV per share at which the shares trade to no more than 6%. Shares bought back will be cancelled.

The Biotech Growth Trust PLC conducts its affairs so that its shares can be recommended by independent financial advisers ("IFAs") to retail private investors. The shares are excluded from the Financial Conduct Authority's ("FCA's") restrictions which apply to non-mainstream investment products because they are shares in a UK-listed investment trust.

## The Biotech Growth Trust PLC

### 10 Largest Holdings at 31 August 2018 (% of total investments)

Name	Total
Biogen	9.9
Celgene	9.0
Vertex Pharmaceuticals	7.7
Alexion Pharmaceuticals	7.0
Illumina	6.2
Sarepta Therapeutics	5.0
Gilead Sciences	3.9
Regeneron Pharmaceuticals	3.7
Heron Therapeutics	2.9
Deciphera Pharmaceuticals	2.9
<b>Total</b>	<b>58.2</b>

### Sector Breakdown as at 31 August 2018 (%)

North America	86.8%
Continental Europe	9.9%
Other	2.1%
Unquoted	0.8%
United Kingdom	0.4%
<b>Total</b>	<b>100.0%</b>

Source: All portfolio information sourced from Frostrow Capital LLP

### Discrete Performance – Calendar Years (%)

Percentage Growth 12 Month Return	2013	2014	2015	2016	2017	YTD
NAV	63.5	43.1	15.6	-7.6	9.9	12.9
Share Price	60.1	44.9	9.1	-4.7	12.1	6.6
Index	62.4	42.6	17.8	-6.5	10.5	19.5

### Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Aug 13- Aug 14	Aug 14- Aug 15	Aug 15- Aug 16	Aug 16- Aug 17	Aug 17- Aug 18
NAV	40.5	36.1	-8.7	23.3	-1.3
Share Price	37.8	43.4	-12.3	20.4	1.0
Index	33.5	33.7	-4.1	21.1	9.5

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Source: NAV (total return; fully diluted) & Share Price (total return) – Morningstar. Index - Bloomberg.

### Risk Warnings

This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Company and has not been prepared in connection with any such offer or invitation. Before investing in the Company, or any other investment product, you should satisfy yourself as to its suitability and the risks involved, and you may wish to consult a financial adviser.

Any return you receive depends on future market performance and is uncertain. The Company does not seek any protection from future market performance so you could lose some or all of your investment. Shares of the Company are bought and sold on the London Stock Exchange (LSE). The price you pay or receive, like other listed shares, is determined by supply and demand and may be at a discount or premium to the underlying net asset value of the Company. Usually, at any given time, the price you pay for a share will be higher than the price you could sell it. For further information on the principal risks the Company is exposed to please refer to the Company's Annual Report or Investor Disclosure Document available at [www.biotechgt.com](http://www.biotechgt.com). The Company can borrow to purchase investments, this could potentially magnify any losses or gains made by the Company.

### Important Information

The Biotech Growth Trust PLC is a public limited company whose shares are premium listed on the LSE and is registered with HMRC as an investment trust. The Company has an indeterminate life, although shareholders consider and vote on the continuation of the Company every five years (the next such vote will be held will be 2020). This financial promotion is issued by Frostrow Capital LLP which is authorised and regulated by the Financial Conduct Authority ("FCA").

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### Fast Facts

As at 31 August 2018

<b>Launch Date</b>	June 1997
<b>AIC Sector</b>	Biotechnology & Healthcare
<b>Date of Appointment of OrbiMed</b>	19 May 2005
<b>Annual Management Fee</b> (payable by the Company)	0.65% of net assets <u>plus</u> 0.30% of market cap. <u>plus</u> £60,000
<b>Performance fee</b>	See Annual Report for details
<b>Ongoing charges*</b>	1.1%
<b>Continuation Vote</b>	At AGM in 2020; every 5 years
<b>Year / Half Year</b>	31 March / 30 September
<b>Capital Structure</b>	54,943,878 Ordinary Shares of 25p

### Trust Characteristics

<b>Number of Holdings</b>	46
<b>Total Net Assets (£m)</b>	£494.8m
<b>Market Capitalisation (£m)</b>	£462.6m
<b>Dividend Policy</b>	It is not anticipated that the Company will pay a dividend
<b>Gearing (AIC basis)</b>	10.5%
<b>Leverage**</b>	
<b>Gross &amp; Commitment</b>	110.5%
<b>Share Price (p)</b>	842.00
<b>NAV (p)</b>	900.55
<b>(Discount) / Premium</b>	(6.5%)

\*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 Intermediaries 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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