

# The Biotech Growth Trust PLC



Portfolio Manager



Richard Klemm



Geoffrey Hsu

Information as at 30 November 2018

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

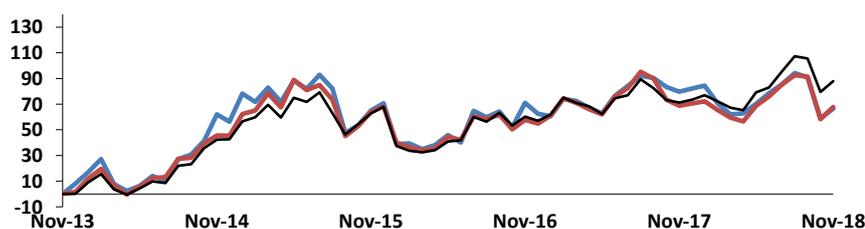
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## Investment Objective and Benchmark Index

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) +88.0%

**Net Asset Value per share (total return) +67.7%**

**Share Price (total return) +66.6%**

Source: Morningstar, Index - Bloomberg.

## Commentary

In November, the NAV per share was up 5.9%, the share price was up 4.9% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 4.7%.

Following an extreme market correction in October, the broader market continued to experience significant day-to-day volatility. Investors continue to have macro concerns over international trade, oil, interest rates and general market gyrations have been dictating share price movements in the biotech sector more than company fundamentals. Biotech rebounded during the month, in line with the broader market. Healthcare investors have adopted "risk-off" positioning given the market downturn, with larger cap companies remaining slightly more stable than small and mid-cap companies throughout this period of volatility.

Biogen, Exelixis and Deciphera were the top positive contributors to performance during the month. Biogen shares rebounded following an update from partner Eisai for their Alzheimer's treatment BAN2401 in late October. As key Phase 3 data for Biogen's ongoing Alzheimer's trial approaches, we believe generalist interest in the stock will increase. Shares of Exelixis were strong after strong Q3 results for its renal cancer drug Cabometyx and approval of Cabometyx for hepatocellular cancer in the EU. We anticipate Cabometyx will be approved in the US for hepatocellular cancer in January, thus further expanding the commercial opportunity for the drug. Deciphera shares outperformed due to an underwhelming competitor update in gastrointestinal stromal tumours (GIST), suggesting a potentially superior profile for Deciphera's drug DCC-2618.

Puma Biotechnology, DBV Technologies and Neurocrine Biosciences were the largest negative contributors to performance during the month. Puma shares underperformed following disappointing Q3 sales for its breast cancer treatment Nerlynx and growing investor concerns about the drug's peak sales potential. DBV shares were weak due to regulatory uncertainty over the company's peanut allergy patch Viaskin Peanut, as well as investor concerns over the company's cash position. Shares of Neurocrine were weak in November as reported Q3 revenues suggested a slowing in growth for the company's tardive dyskinesia drug Ingrezza and investors became more cautious about the company's Phase 2 trial in Tourette's syndrome.

While general market volatility has adversely affected the price performance of the biotech sector, we think valuations are compelling and shares will recover once there is greater clarity on macroeconomic risk factors.

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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. Richard has published scientific articles in the fields of DNA replication and transcription. He received a B.A. from the University of California, Berkeley in 1994 with majors in molecular and cell biology and economics.

**Geoffrey C. Hsu**, CFA, is a General Partner of OrbiMed, having joined in 2002 as a biotechnology analyst. Prior to joining OrbiMed, he worked as an analyst in the healthcare investment banking group at Lehman Brothers. Geoff received his A.B. degree summa cum laude from Harvard University and holds an M.B.A. from Harvard Business School. Prior to business school, he spent two years studying medicine at Harvard Medical School.

## Portfolio Manager Profile

Portfolio management services are provided by OrbiMed Capital LLC (OrbiMed). OrbiMed is owned by six principals, including Geoff Hsu. The U.S.-based firm employs over 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 30 November 2018 (% of total investments)

Name	Total
Biogen	11.6
Vertex Pharmaceuticals	8.8
Celgene	8.6
Alexion Pharmaceuticals	7.7
Illumina	6.0
Sarepta Therapeutics	5.9
Gilead Sciences	5.6
Amgen	4.5
Regeneron Pharmaceuticals	4.2
Argenx	3.3
<b>Total</b>	<b>66.2</b>

### Geographical Breakdown as at 30 November 2018 (%)

North America	87.9%
Continental Europe	8.8%
Other	2.4%
Unquoted	0.6%
United Kingdom	0.3%
<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	-1.7
Share Price	60.1	44.9	9.1	-4.7	12.1	-8.6
Index	62.4	42.6	17.8	-6.5	10.5	8.3

### Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Nov 13- Nov 14	Nov 14- Nov 15	Nov 15- Nov 16	Nov 16- Nov 17	Nov 17- Nov 18
NAV	45.7	12.6	-3.7	6.9	-0.7
Share Price	62.1	1.8	3.6	5.1	-7.3
Index	42.3	14.3	-1.5	6.8	9.8

Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed.

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

### Risk Warnings

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

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

### Important Information

The Biotech Growth Trust PLC is a public limited company whose shares are premium listed on the LSE and is registered with HMRC as an investment trust. The Company has an indeterminate life, although shareholders consider and vote on the continuation of the Company every five years (the next such vote will be held will be 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 30 November 2018

<b>Launch Date</b>	June 1997
<b>AIC Sector</b>	Biotechnology & Healthcare
	Date of Appointment of OrbiMed 19 May 2005
<b>Annual Management Fee</b> (payable by the Company)	0.65% of net assets plus 0.30% of market cap. plus £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>	53,702,337 Ordinary Shares of 25p

### Trust Characteristics

<b>Number of Holdings</b>	43
<b>Total Net Assets (£m)</b>	£421.4m
<b>Market Capitalisation (£m)</b>	£387.7m
<b>Dividend Policy</b>	It is not anticipated that the Company will pay a dividend
<b>Gearing (AIC basis)</b>	5.7%
<b>Leverage**</b>	
<b>Gross &amp; Commitment</b>	105.7%
<b>Share Price (p)</b>	722.00
<b>NAV (p)</b>	784.65
<b>(Discount) / Premium</b>	(8.0%)

\*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

**Frostrow Capital LLP**  
25 Southampton Buildings, London, WC2A 1AL  
Tel.: 0203 0084910  
Fax: 0203 0438889  
Website: [www.frostrow.com](http://www.frostrow.com)

Email: [info@frostrow.com](mailto:info@frostrow.com)  
Twitter: @BiotechGT

