

The Biotech Growth Trust PLC



Portfolio Manager



Geoffrey Hsu



Richard Klemm

Information as at 31 March 2019

www.biotechgt.com

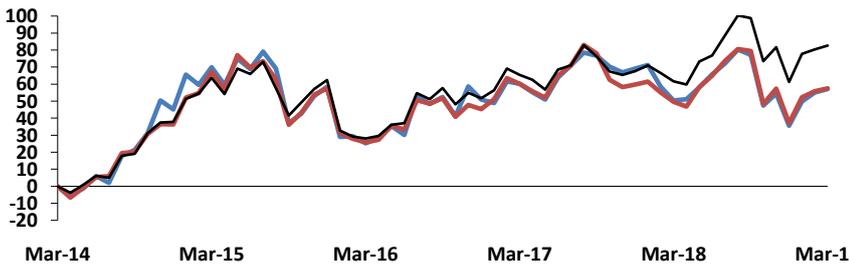
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Investment Objective and Benchmark Index

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) +82.6%

Net Asset Value per share (total return) +57.8%

Share Price (total return) +57.2%

Source: Morningstar, Index - Bloomberg.

Commentary

In March, the NAV per share was up 1.1%, the share price was up 1.4% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 1.2%.

March brought further volatility in both the broader market and within biotechnology, compared to the record gains earlier in the quarter. Macro factors continue to be headwinds for healthcare, as issues like drug pricing, rebate reform and "Medicare for All" have garnered increasing attention by Congressional lawmakers. We would expect rhetoric about healthcare and drug pricing by Congressional lawmakers and Democratic Presidential candidates to persist, as we head into the 2020 US Presidential election. Because we still anticipate a split Congress after the 2020 elections, we continue to believe much of the rhetoric is "campaign noise" and any ultimate legislative changes will be largely incremental. Investors were surprised this month by the sudden resignation of U.S. Food and Drug Administration (FDA) Commissioner Scott Gottlieb; Gottlieb was largely viewed as a pro-industry Commissioner who brought more flexibility and leniency to the Agency. While some investors were concerned Gottlieb's departure could lead to a more stringent FDA, the appointment of Ned Sharpless as the next Commissioner, the current Director of the National Cancer Institute and co-founder of multiple biotechnology companies, appears to be a positive for the industry. We would expect the constructive regulatory environment for new drug approvals to continue under the new leadership.

Neurocrine, Celgene and CanSino Biologics were the top positive contributors to performance during the month. Neurocrine rebounded in March as the company reported positive early data for its congenital adrenal hyperplasia drug NBI-74788. Neurocrine remains a widely speculated acquisition target. Shares of Celgene were strong as the company cleared several key events in garnering support for its proposed acquisition by Bristol-Myers Squibb, including a Revlimid patent ruling in favour of the company and a vote in favour of the acquisition by independent proxy advisory firms ISS and Glass Lewis. We continue to see the acquisition as likely to close in 3Q19, as guided. Now that the arbitrage spread has closed meaningfully, we expect to gradually redeploy our Celgene position into other stocks. The Company also participated in the Hong Kong IPO of CanSino Biologics as a cornerstone investor. CanSino is a premium vaccine player in the private pay market in China and shares traded up 60% on the first day of trading in Hong Kong. We continue to believe there will be increasing opportunities to invest in high-growth emerging biotech companies in China.

Biogen, Sarepta and Deciphera were the largest negative contributors to performance during the month. Biogen declined after the discontinuation of the company's Phase 3 trials of aducanumab in Alzheimer's Disease, due to futility. We had reduced exposure to Biogen prior to the release. The failure was a disappointment for biotech generally, as a positive result could have catalyzed a re-rating of large cap biotech, which is still trading at historically low valuations. Following the failure of aducanumab, investors have questioned the longer-term value of Biogen's underlying business; it is generally speculated that the company will require large-scale M&A to sustain value. Sarepta shares were weak after the company issued a secondary offering and presented an unexpected update from their SRP-9001 microdystrophin gene therapy program. Investor debate remains around the durability of effect of SRP-9001, due to variability in the creatine kinase (CK) biomarker; we see CK as an imperfect and inherently variable biomarker and continue to see SRP-9001 as a potentially transformative therapy. Deciphera shares underperformed after the surprise announcement of a CEO change ahead of Phase 3 data for the company's oncology drug ripretinib in mid-2019. We believe ripretinib has demonstrated clear activity in gastrointestinal stromal tumors and see high likelihood of success in the upcoming Phase 3 trial.

Biographies

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.

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.

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 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 March 2019 (% of total investments)

Name	Total
Vertex Pharmaceuticals	9.0
Regeneron Pharmaceuticals	6.6
Neurocrine Biosciences	6.4
Alexion Pharmaceuticals	6.0
Gilead Sciences	5.1
Sarepta Therapeutics	5.1
Celgene	5.0
Illumina	4.6
Amgen	4.1
Deciphera Pharmaceuticals	3.8
Total	55.7

Geographical Breakdown as at 31 March 2019 (%)

North America	86.1%
Other	5.9%
Continental Europe	5.6%
United Kingdom	1.7%
*Unquoted	0.7%
Total	100.0%

* No more than 10% of gross assets will be invested in direct unquoted investments at the time of acquisition.

Source: All portfolio information sourced from Frostrow Capital LLP

Discrete Performance – Calendar Years (%)

Percentage Growth 12 Month Return	2014	2015	2016	2017	2018	YTD
NAV	43.1	15.6	-7.6	9.9	-14.3	15.0
Share Price	44.9	9.1	-4.7	12.1	-19.9	16.0
Index	42.6	17.8	-6.5	10.5	-3.8	13.2

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Mar 14- Mar 15	Mar 15- Mar 16	Mar 16- Mar 17	Mar 17- Mar 18	Mar 18- Mar 19
NAV	67.4	-24.8	27.5	-6.7	5.3
Share Price	69.9	-26.3	27.9	-6.2	4.6
Index	63.7	-21.8	29.2	-2.2	13.0

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. The Company can borrow to purchase investments, this could potentially magnify any losses or gains made by the Company.

Important Information

The Biotech Growth Trust PLC is a public limited company whose shares are premium listed on the LSE and is registered with HMRC as an investment trust. The Company has an indeterminate life, although shareholders consider and vote on the continuation of the Company every five years (the next such vote will be held in 2020).

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Fast Facts

As at 31 March 2019

Launch Date	June 1997
AIC Sector	Biotechnology & Healthcare
	Date of Appointment of OrbiMed 19 May 2005
Annual Management Fee (payable by the Company)	0.65% of net assets <u>plus</u> 0.30% of market cap. <u>plus</u> £60,000
Performance fee	See Annual Report for details
Ongoing charges*	1.1%
Continuation Vote	At AGM in 2020; every 5 years
Year / Half Year	31 March / 30 September
Capital Structure	51,967,562 Ordinary Shares of 25p

Trust Characteristics

Number of Holdings	41
Total Net Assets (£m)	£408.9m
Market Capitalisation (£m)	£381.4m
Dividend Policy	It is not anticipated that the Company will pay a dividend
Gearing (AIC basis)	5.5%
Leverage**	
Gross & Commitment	105.5%
Share Price (p)	734.00
NAV (p)	786.81
(Discount) / Premium	(6.7%)

*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

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

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