

# The Biotech Growth Trust PLC



Portfolio Manager



Richard Klemm



Geoffrey Hsu

Information as at 31 January 2019

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

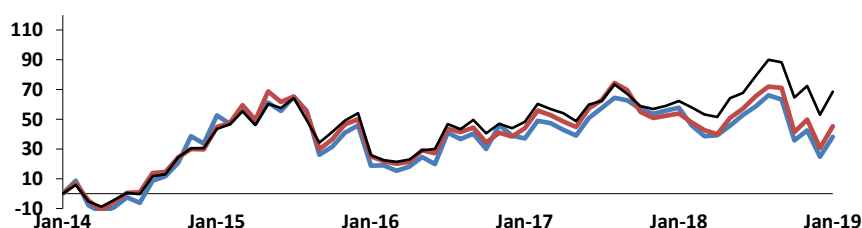
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## Investment Objective and Benchmark Index

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) +68.5%

**Net Asset Value per share (total return) +45.2%**

**Share Price (total return) +38.1%**

Source: Morningstar, Index - Bloomberg.

## Commentary

In January, the NAV per share was up 11.1%, the share price was up 10.6% and the benchmark NASDAQ Biotechnology Index (sterling adjusted) was up 10.2%.

Following an extended period of volatility in the fourth quarter of 2018, January saw significant strength across both biotechnology stocks and the broader markets. While macro concerns over geopolitical risk and the US government shutdown continued into January, the US Federal Reserve's dovish commentary on interest rates was well-received by investors. IPOs and secondary offerings were largely paused during the month given the U.S. government shutdown. Within biotechnology, the return of M&A activity with the acquisitions of Celgene by Bristol-Myers Squibb and Loxo Oncology by Eli Lilly in January reinvigorated investor interest in the sector and provided a boost in sentiment to start the calendar year.

Celgene, Sarepta and Alexion were the top positive contributors to performance during the month. Shares of Celgene appreciated after the announcement of the company's acquisition by Bristol-Myers Squibb for \$74 bn (a 54% premium). We expect the acquisition to close in the third quarter of 2019. The acquisition shows that large-cap biotech companies are trading at such historically depressed valuations that they have become potential M&A targets rather than just potential acquirors. Shares of Sarepta were strong due to investor anticipation of positive gene therapy data in Limb-Girdle muscular dystrophy type 2E, as well as the release of competitor gene therapy data in Duchenne muscular dystrophy. We continue to view Sarepta as a leader in gene therapy and neuromuscular diseases. Alexion shares appreciated after an early approval of its next-generation paroxysmal nocturnal haemoglobinuria treatment Ultomiris as well as positive Phase 3 data of Ultomiris in atypical haemolytic uremic syndrome.

Illumina, Genmab and Avrobio were the largest negative contributors to performance during the month. Shares of Illumina were weak following financial results revealing that NovaSeq placements had missed 2018 guidance; lower than expected guidance for 1Q19 also implied an aggressive ramp in 2H19 would be required to meet full-year guidance. Genmab shares were weak after partner Janssen reported weaker than expected sales of the company's multiple myeloma treatment Darzalex. Given strong clinical data, we believe Darzalex is an attractive option in front-line multiple myeloma and expect near-term approval in that setting will provide an inflection in sales. Shares of Avrobio declined in January as investors positioned ahead of the release of updated data from the company's Fabry disease gene therapy, AVR-RD-01. Investor concerns surfaced after the previous release of AVR-RD-01 suggested a potential decline in treatment effect over time, though we see compelling evidence of longer-term effect in these patients.

*Any opinions on individual stocks are those of the Company's Portfolio Manager and no reliance should be given on any such views. Any research in this document has been procured and may have been acted upon by OrbiMed Capital LLC for its own purposes. The results are being made available to you only incidentally. The views expressed herein do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of Frostrow Capital LLP and no assurances are made as to their accuracy.*

## 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 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 January 2019 (% of total investments)

Name	Total
Biogen	11.7
Vertex Pharmaceuticals	9.4
Regeneron Pharmaceuticals	6.9
Sarepta Therapeutics	6.4
Alexion Pharmaceuticals	5.9
Celgene	5.6
Gilead Sciences	5.5
Neurocrine Biosciences	4.7
Illumina	4.1
Amgen	4.1
<b>Total</b>	<b>64.3</b>

### Geographical Breakdown as at 31 January 2019 (%)

North America	89.4%
Continental Europe	5.7%
Other	2.7%
United Kingdom	1.6%
Unquoted	0.6%
<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	2014	2015	2016	2017	2018	YTD
NAV	43.1	15.6	-7.6	9.9	-14.3	11.1
Share Price	44.9	9.1	-4.7	12.1	-19.9	10.6
Index	42.6	17.8	-6.5	10.5	-3.8	10.2

### Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Jan 14- Jan 15	Jan 15- Jan 16	Jan 16- Jan 17	Jan 17- Jan 18	Jan 18- Jan 19
NAV	44.9	-13.7	15.3	6.8	-5.7
Share Price	52.5	-22.1	15.5	15.0	-12.5
Index	43.5	-12.2	17.8	9.3	3.9

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

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

### Risk Warnings

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

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

### Important Information

The Biotech Growth Trust PLC is a public limited company whose shares are premium listed on the LSE and is registered with HMRC as an investment trust. The Company has an indeterminate life, although shareholders consider and vote on the continuation of the Company every five years (the next such vote will be held in 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 January 2019

<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 <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>	53,281,063 Ordinary Shares of 25p

### Trust Characteristics

<b>Number of Holdings</b>	42
<b>Total Net Assets (£m)</b>	£405.0m
<b>Market Capitalisation (£m)</b>	£373.0m
<b>Dividend Policy</b>	It is not anticipated that the Company will pay a dividend
<b>Gearing (AIC basis)</b>	5.6%
<b>Leverage**</b>	
<b>Gross &amp; Commitment</b>	105.6%
<b>Share Price (p)</b>	700.00
<b>NAV (p)</b>	760.21
<b>(Discount) / Premium</b>	(7.9%)

\*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

