



The Biotech Growth Trust

Annual General Meeting

14 July 2011

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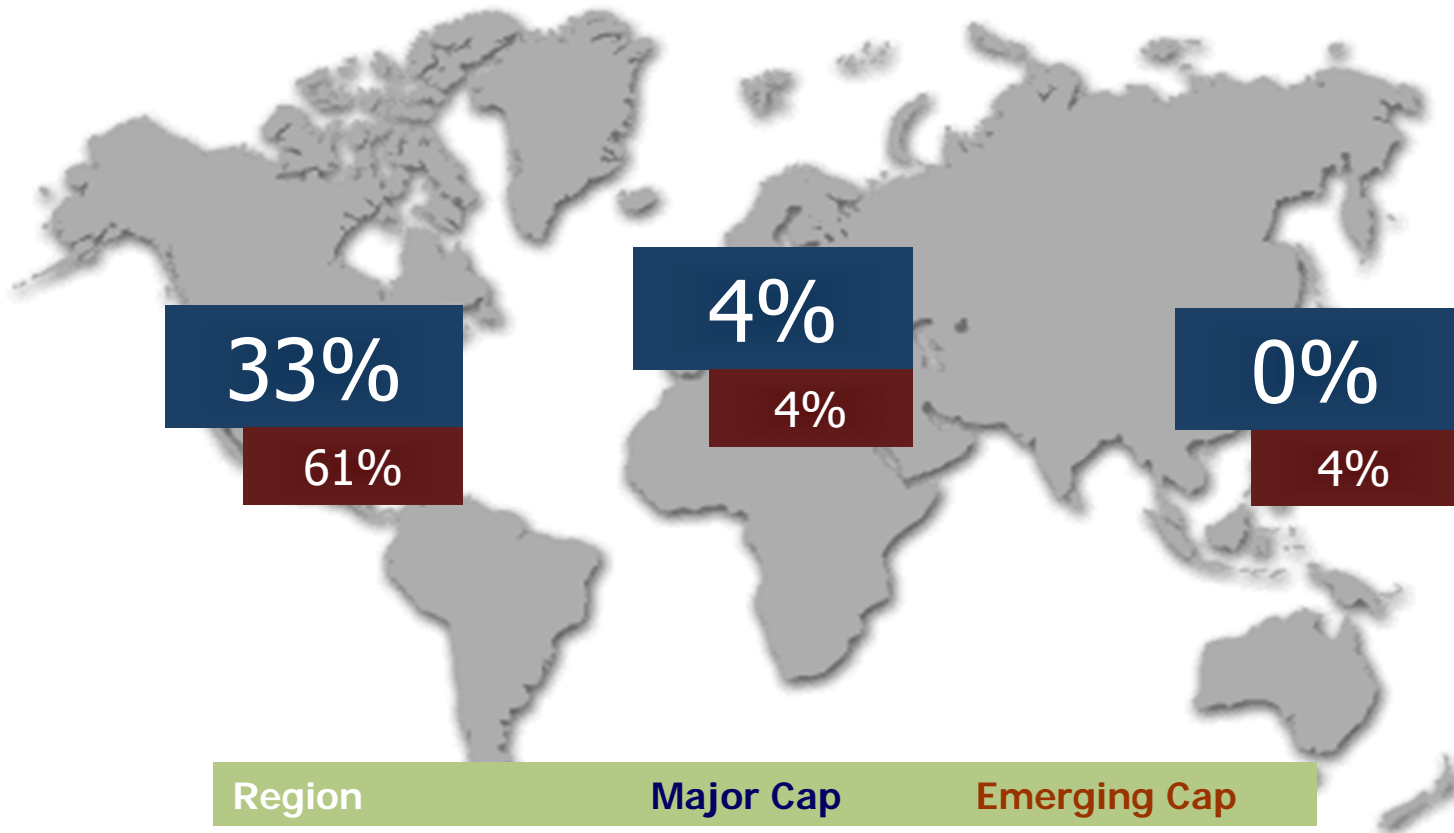
BIOG Overview

Key Drivers for BIOG Performance

- Capitalize on historic low valuations of major biotech, which are still delivering mid-teens earnings growth
 - ▶ Focus on companies with next-generation products to replace maturing revenues
- Invest in emerging biotech companies with newly launched products or ones in late-stage development
 - ▶ Focus on companies that make likely M&A candidates or are about to become profitable
- Invest in the most promising early-stage emerging companies with novel therapeutic candidates
 - ▶ Focus on companies whose drug candidates are poised to deliver positive clinical data
- Worldwide strategy

Portfolio Exposure

As of 30 June 2011*



Region	Major Cap	Emerging Cap
North America	33%	61%
Europe	4%	4%
Far East	0%	4%

*Percentages based on gross exposure.

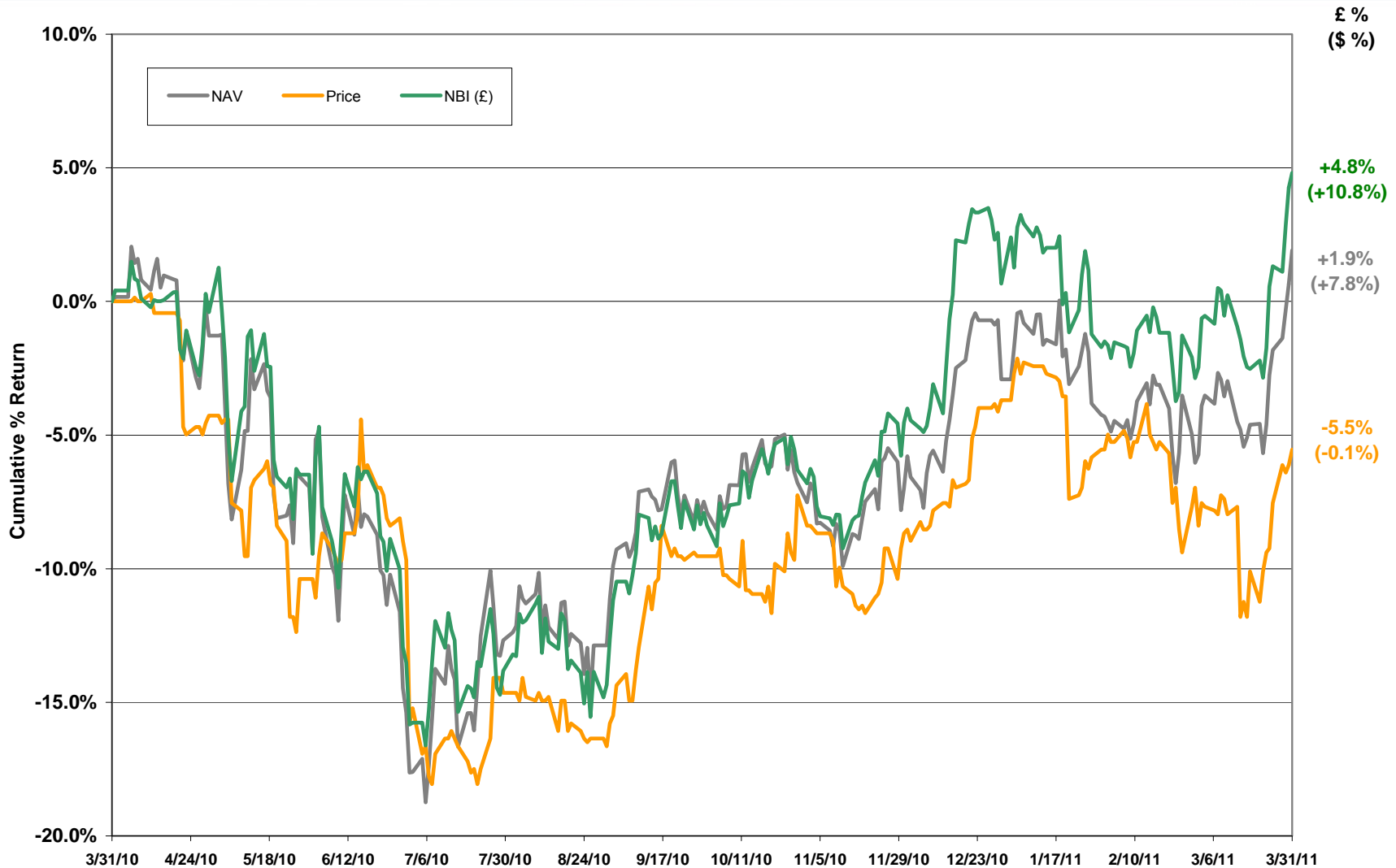
BIOG Holdings

As of 30 June 2011

	Market Price \$ Millions	Pct. Value		Market Price \$ Millions	Pct. Value
UNITED STATES			INTERNATIONAL		
Emerging Biotechnology			Europe		
Affymax Inc	4.2	2.0	Emerging Biotechnology		
Affymetrix Inc	7.2	3.4	Bavarian Nordic A/S	2.8	1.3
Alexion Pharmaceuticals Inc	3.5	1.6	Medivir AB	3.0	1.4
Allos Therapeutics Inc	3.0	1.4	Stratec Biomedical AG	<u>2.3</u>	<u>1.1</u>
Anadys Pharmaceuticals Inc	1.0	0.5		8.2	3.8
Arqule Inc	4.5	2.1	Major Capitalization		
BioMarin Pharmaceutical Inc	6.3	3.0	Shire PLC ADR	8.4	3.9
Cubist Pharmaceuticals Inc	2.2	1.0			
Exact Sciences Corp	4.6	2.1	Europe Subtotal	16.5	7.8
Fluidigm Corporation	4.4	2.1			
Human Genome Sciences Inc	3.5	1.6	Far East		
Idenix Pharmaceuticals Inc	2.1	1.0	Emerging Biotechnology		
Incyte Corp	11.1	5.2	3SBio Inc ADS	6.3	3.0
Insmed Inc	1.7	0.8	Caduceus Asia Partners	<u>2.2</u>	<u>1.0</u>
KV Pharmaceutical Co	2.4	1.1		8.5	4.0
Medivation Inc	1.9	0.9			
Mylan Inc	3.2	1.5	Far East Subtotal	8.5	4.0
NPS Pharmaceuticals Inc	3.0	1.4			
Oncothyreon Inc	2.5	1.2	INTERNATIONAL TOTAL	25.1	11.8
Onyx Pharmaceuticals Inc	2.7	1.3			
Pharmacyclis Inc	11.5	5.4			
Pharmasset Inc	12.0	5.6			
Regeneron Pharmaceuticals Inc	4.2	2.0			
Targacept Inc	7.0	3.3			
Tranzyme Inc	2.9	1.4			
Trius Therapeutics Inc	4.0	1.9			
United Therapeutics Corp	3.4	1.6	Cash	(12.1)	(5.7)
Vivus Inc	3.0	1.4			
Warner Chilcott PLC	<u>6.8</u>	<u>3.2</u>			
	129.7	60.8			
Major Capitalization					
Amgen Inc	4.1	1.9			
Biogen Idec Inc	9.2	4.3			
Celgene Corp	4.9	2.3			
Gilead Sciences Inc	18.8	8.8			
Illumina Inc	8.8	4.1			
Life Technologies Corporation	9.6	4.5			
Perrigo Co	7.4	3.5			
Thermo Fisher Scientific Inc	<u>7.8</u>	<u>3.7</u>			
	70.6	33.1			
UNITED STATES TOTAL	200.3	93.9	TOTAL PORTFOLIO	213.3	100.0

BIOG Performance in Fiscal Year 2011

31 March 2010 through 31 March 2011



Review of Fiscal Year 2011 Trust Performance

What we did right in FY 2011:

- We had success identifying some earlier-stage compounds that increased in visibility leading to positive stock performance, i.e. PCYC, ARIA, MVIRB SS, VRUS, YMI
- We benefited from the Genzyme M&A transaction in a year when there was not much M&A activity among stocks in the NBI
- We called a number of binary events correctly, e.g. OREX FDA advisory panel, MNTA FDA decision, MDCO patent litigation

What we did wrong in FY 2011:

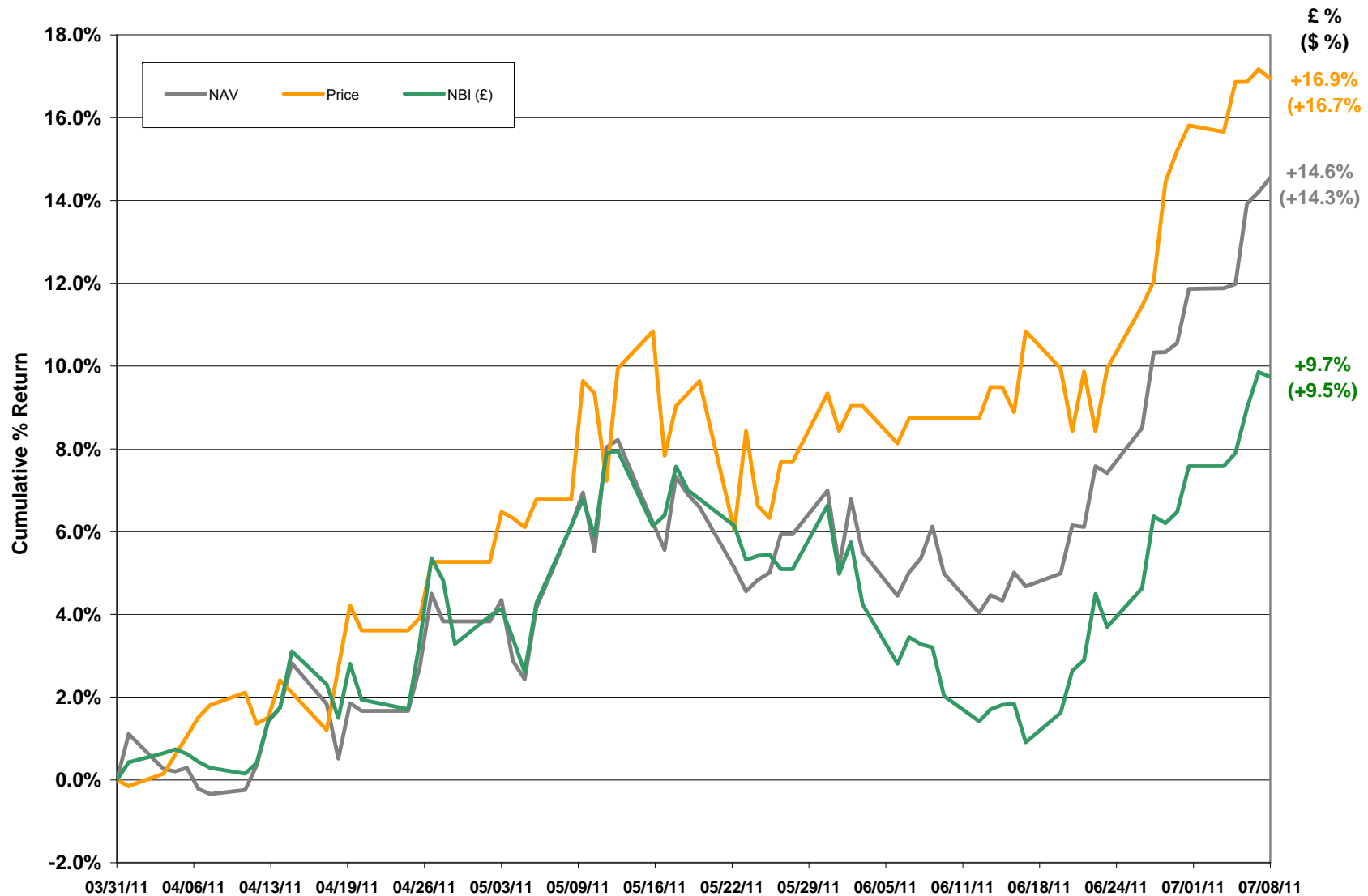
- We were underweight the profitable mid-caps that performed well in the second half of the year, most notably Alexion, United Therapeutics and Onyx, largely due to valuation
- We were relatively overweight major biotech, which tended to underperform during the year

Strategy Heading Into FY 2012

- Increase screening of early-stage emerging biotech companies to proactively identify PIPE opportunities
- Include more emerging market stocks within the portfolio, e.g. 3SBio
- Increase investment in the life-science tools and molecular diagnostics space
- Run a levered portfolio to avoid possible cash drag

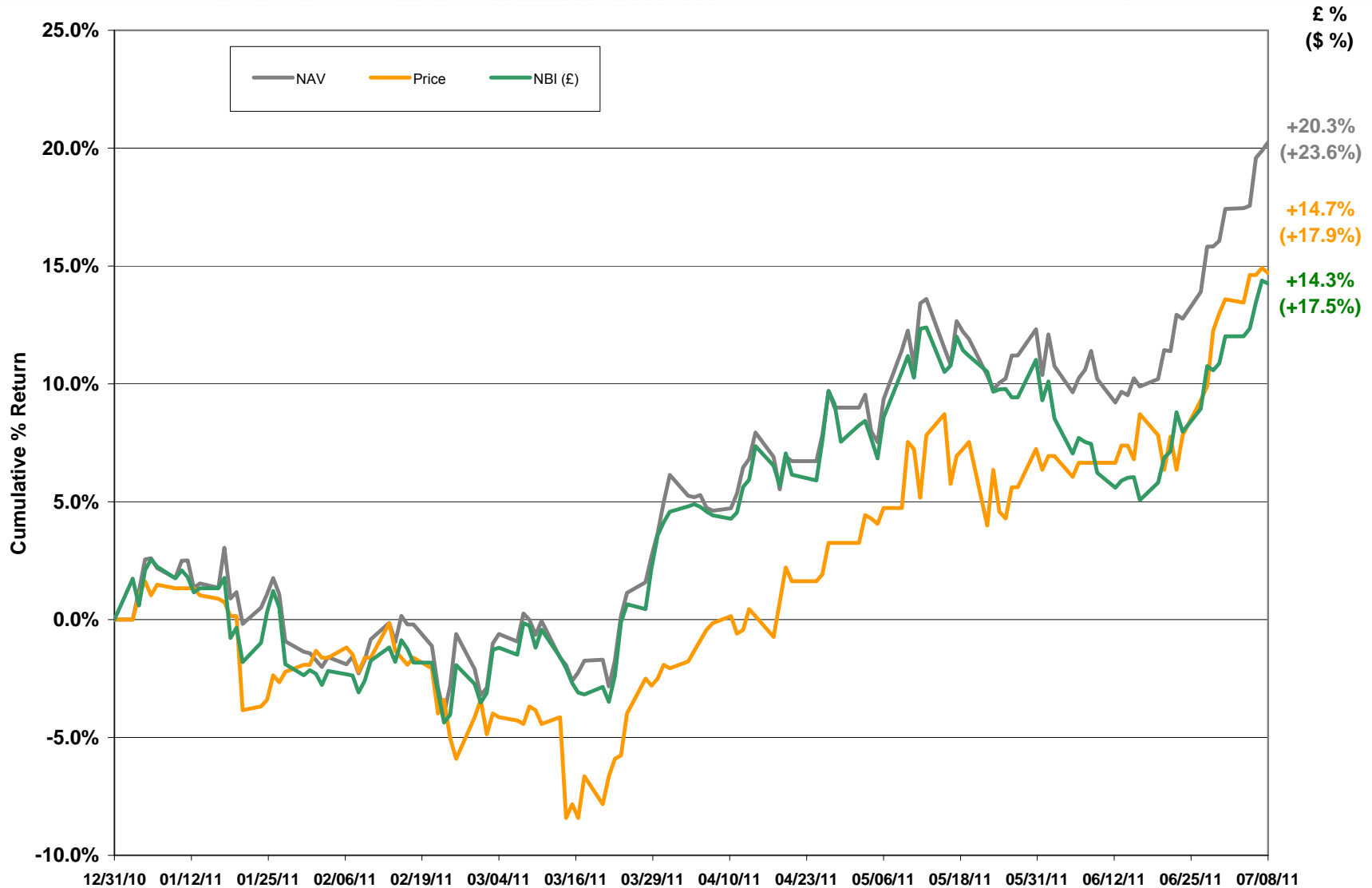
BIOG Performance in Fiscal Year to Date

31 March 2011 through 8 July 2011



BIOG Performance in Calendar Year to Date

31 December 2010 through 8 July 2011



Explanation of Recent Performance

- The Trust has outperformed the benchmark NBI index in the calendar year to date
- Biotech performed well in general over the period, led by strong gains in a few small-cap names
 - Positive abstract on Pharmasset's nuc-nuc combo at EASL (VRUS up 158% YTD)
 - Patent settlement between Cubist and Teva (CBST up 68% YTD)
 - Updated clinical data on Pharmacyclics' PCI-32765 at ASCO (PCYC up 72% YTD)
- New additions of small-cap names through PIPEs and registered direct offerings have done particularly well (Idenix up 79%, Oncothyreon up 130%, Trius Therapeutics up 25%)

**As of 30 June 2011.*

Trust Performance vs. Benchmark

Periods Ending 30/06/11	Calendar 2011 YTD (06/11)	Fiscal 2011 (03/10- 03/11)	Fiscal 2010 (03/09- 03/10)	Fiscal 2009 (03/08- 03/09)	3-year annualized return	Since OrbiMed Inception (18/05/05)
BIOG NAV (£)	16.1%	1.9%	33.4%	32.4%	24.4%	105.1%
NASDAQ Biotech Index (£)	10.9%	4.8%	29.4%	21.5%	20.1%	85.4%
Excess Returns (£)	5.2%	-2.9%	3.9%	10.9%	4.3%	19.8%
Est. Currency Impact on NAV	-3.5%	-5.9%	-8.3%	37.1%	8.6%	25.8%
MSCI World Index (£)	2.2%	7.3%	43.4%	-20.2%	7.9%	51.9%
FTSE All-Share Index (£)	1.1%	5.4%	46.7%	-32.2%	2.7%	25.7%
Russell 2000 Index (£)	2.5%	17.5%	51.1%	-14.6%	14.1%	55.7%

Source: OrbiMed Advisors

Select Investment Themes:

- 1) Acquiring Growth
- 2) Innovative Therapeutics
- 3) Emerging Markets
- 4) Emerging Technology – Next Generation Sequencing

1) Acquiring Growth

M&A Remains a Secular Theme for Healthcare

Big pharma pursuing acquisitions to replace lost revenues and refill pipelines

Announced	Target	Acquirer	Deal Size	Premium Paid
05/24/2011	Sanitas	Valeant	€364 million	82%
05/09/2011	Elan's EDT Business	Alkermes	\$960 million	NA
05/02/2011	Cephalon	Teva	\$6.8 billion	39% ⁽¹⁾
04/11/2011	American Medical Systems	Endo	\$2.9 billion	34%
04/05/2011	Inspire	Merck	\$340 million	26%
03/29/2011	ChemGenex	Cephalon	\$231 million	59%
02/22/2011	Clinical Data	Forest Labs	\$1.2 billion + CVR	7% ⁽²⁾ + CVR
12/01/2010	Eurand	Axcan	\$551 million	9%
10/22/2010	Clariant	General Electric	\$580 million	34%
09/17/2010	Crucell	Johnson & Johnson	€1.75 billion ⁽³⁾	58%
08/30/2010	Genzyme	Sanofi-Aventis	\$20.1 billion + CVR	37% ⁽⁴⁾ + CVR
08/03/2010	Movetis	Shire	\$390 million	74%
06/30/2010	Abraxis BioScience	Celgene	\$2.9 billion + CVR	14% + CVR
04/12/2010	Javelin Pharmaceuticals	Hospira	\$140 million	64%
03/09/2010	Facet Biotech	Abbott Laboratories	\$402 million	206%
03/01/2010	OSI Pharmaceuticals	Astellas Pharma	\$2.9 billion	41%
09/03/2009	Sepracor	Dainippon Sumitomo	\$2.3 billion	28%
07/22/2009	Medarex	Bristol Myers	\$2.4 billion	90%
07/14/2009	Noven Pharmaceuticals	Hisamitsu	\$428 million	22%
05/21/2009	Cougar Biotechnology	Johnson & Johnson	\$970 million	16%
03/12/2009	CV Therapeutics	Gilead	\$1.4 billion	25%
02/27/2009	Arana Therapeutics	Cephalon	\$210 million	69%

(1) Premium to the last closing price before receiving an unsolicited offer from Valeant on 03/30/2011.

(2) Premium to the average price since the first day after announcing the approval of Viibryd and that it was considering a potential sale.

(3) Represents value paid for 82% of Crucell that J&J did not already own.

(4) Offer premium to price on 07/22/10, the first day prior to rumors of a potentially unsolicited bid emerged.

Source: OrbiMed Advisors

Acquisition Candidates in BIOG

Company	Asset	Potential Acquiror
3SBio	Epiao	Amgen, Sanofi, Roche
Allos Therapeutics	Folotyn	Biogen Idec, Sanofi
Anadys Pharmaceuticals	ANA598, ANA773	Roche, Bristol-Myers Squibb, Merck
Biogen Idec	Rituxan, Tysabri, Pipeline	Big Pharma
BioMarin Pharmaceutical	Phenoptin, Aldurazyme, Aryplase	Sanofi, Shire
Cubist Pharmaceuticals	Cubicin	Any Pharma or Biotech w/ a hospital salesforce
Human Genome Sciences	Benlysta	Big Biotech, Big Pharma
Incyte	Ruxolitinib	Big Biotech, Big Pharma
Insmed	Arikace	Gilead, Vertex, Big Pharma
Pharmacyclics	PCI-32765	Big Biotech, Big Pharma
Pharmasset	PSI-7977, PSI-938	Roche, Bristol-Myers Squibb, J&J
Shire	Vyvanse, Elaprase, Vpriv	Big Pharma

Source: OrbiMed Advisors

2) Innovative Therapeutics: Recent Commercial Launches and Pipeline

Major New Therapeutics in Development or Commercial Roll Out

- Identifying innovative therapies and the next product cycle are key to investing in healthcare
- Several blockbuster drugs being developed by biotech/pharmaceutical companies have recently launched or are about to be launched in the near future, which should be positive catalysts for the sector



Product	Marketer	Indication	Launch Year	Revenue Potential
Tyvaso	United Therapeutics	Pulmonary Hypertension	2009	\$300 million
Ampyra	Acorda	Multiple Sclerosis	2009	\$500 million
Cinryze	ViroPharma	Hereditary Angioedema	2009	\$250 million
Xiaflex	Auxilium	Dupuytren's Contracture	2010	\$350 million
Provenge	Dendreon	Prostate cancer	2010	\$2 billion
Xgeva	Amgen	Skeletal-related Events in Cancer	2011	\$1.5 billion
Benlysta	HGS/Glaxo	Lupus	2011	\$2 billion
Telaprevir	Vertex	Hepatitis C	2011	\$5 billion
Eylea	Regeneron	Wet AMD	2011	\$750 million
Adcetris	Seattle Genetics	Hodgkin's Lymphoma	2011	\$350 million
Ruxolitinib	Incyte	Myelofibrosis	2011	\$1 billion
Qnexa	Vivus	Obesity	2012	\$1 billion
BG-12	Biogen Idec	Multiple Sclerosis	2012	\$2 billion

Source: OrbiMed Advisors

Hepatitis C Direct-Acting Antivirals: Riding the Wave

- Direct-acting antivirals against HCV have been an intense area of drug development
- The treatment paradigm is expected to evolve dramatically over the next few years



Hepatitis C Direct-Acting Antivirals

Trading for the short-term, investing for the long-run

- **Bolus of warehoused patients awaiting the first wave will drive rapid uptake**
 - Vertex's telaprevir plus current standard of care offers a dramatically higher cure rate (79% vs. 44%) and shorter duration of therapy than standard of care (PEG-Interferon + Ribavirin)
 - Telaprevir was approved in the US on May 23. We expect rapid uptake in patients that previously failed treatment and warehoused treatment-naïve patients
 - Vertex has been a core holding in BIOG since we assumed management of the Trust
 - We recently sold our Vertex position in anticipation of investor focus turning to the "next waves" of HCV therapy
- **Second-wave combination direct-acting antivirals with standard of care**
 - Quad combinations including protease inhibitors, polymerase inhibitors, PEG-Interferon and Ribavirin could offer even higher cure rates with further shortening of treatment
 - Vertex and Bristol-Myers Squibb have potentially effective combination strategies in the clinic
 - Optimized protease inhibitors with better profiles, such as TMC-435 from J&J/Medivir may supplant telaprevir around this time
- **Third-wave all oral combinations potentially offer a superior profile**
 - All oral direct-acting antiviral combinations may provide better tolerability, convenience and higher cure rates than current standard of care
 - Due to a higher barrier to resistance, nucleoside polymerase inhibitors are likely an essential component of these regimens

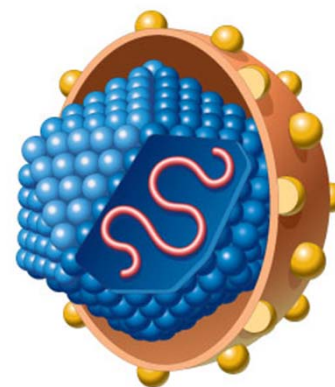
Pharmasset Poised to be the Next Gilead

All-oral therapy offers potentially easiest dosing with fewest side effects



PHARMASSET

- ▶ Pharmasset focuses on the development of nucleotide polymerase inhibitors for the treatment of HCV
 - It has two drugs, PSI-7977 and PSI-938, in clinical trials
- ▶ The “holy grail” for HCV therapy is the development of an all-oral direct acting antiviral combination replacing Peg-Interferon/ribavirin combinations which have poor tolerability and sub-optimal response rates



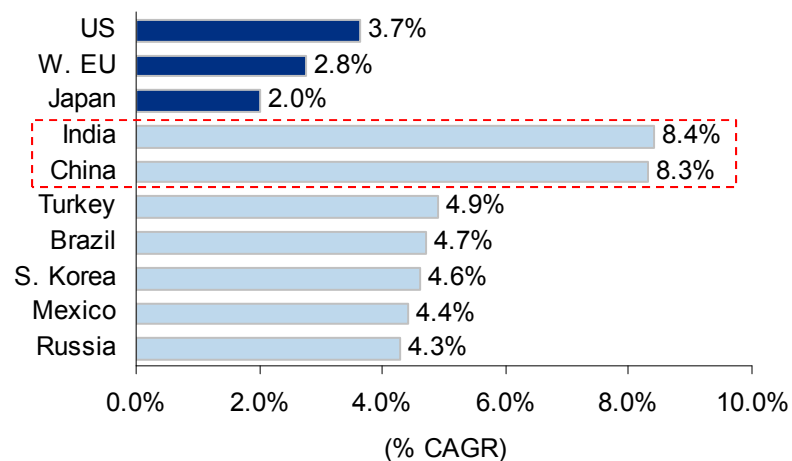
- ▶ The nucleotide polymerase inhibitors have a high barrier to resistance compared to other drug classes, which makes them the most appealing backbone for combination therapy
 - Pharmasset’s two drugs are significantly more potent than other nucleoside polymerase inhibitors in the clinic
- ▶ Pharmasset has initiated collaborations with Bristol-Myers and Tibotec to combine PSI-7977 with drugs from the NS5a and protease inhibitor classes
- ▶ Pharmasset is currently testing a combination of PSI-7977 and PSI-938 which could be sufficient to cure HCV without any other therapy
 - If successful, Pharmasset could dominate the HCV market; launch expected in 2015

3) Opportunities in Emerging Markets: Capturing Growth

Translating GDP Growth into Better Healthcare

Developing economy healthcare spending is out of balance with GDP growth

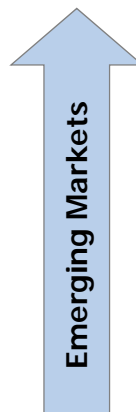
Relative GDP CAGR (2008 – 2020)



*Source: IMS Health, Bernstein Analysis

- Seven emerging economies are projected to show superior growth compared to the mature markets of the US, Western EU and Japan
- India and China represent the largest contributors to global GDP growth going forward

Divergent Growth Will Extend to Healthcare



- Growth of middle class wealth
- Expansion of healthcare coverage
- Changes in lifestyle and increased prevalence of chronic disease
- Low base of per capita drug spend



- Saturated markets (already high healthcare spending per capita)
- Increases in cheaper generic alternatives
- Hostile payor systems
- Initiatives to rein in spending costs

Capitalizing on Chinese Growth in CKD Treatment

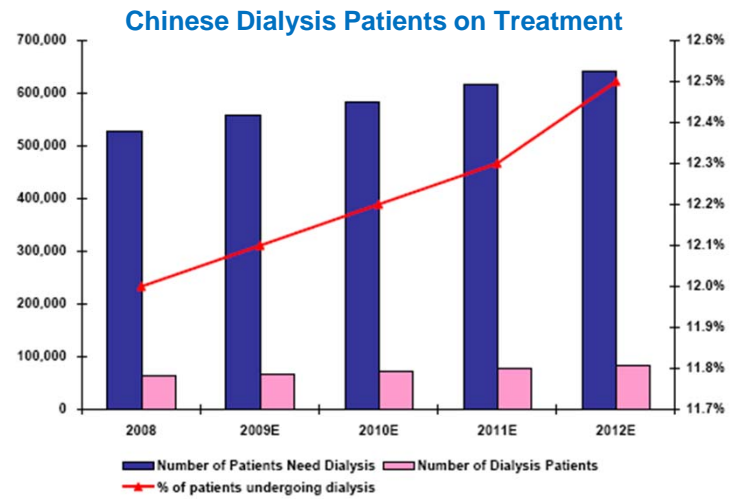
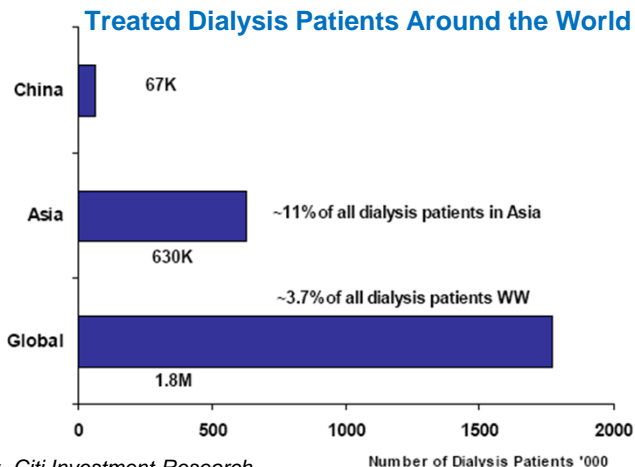
- Chinese spending on healthcare is projected to grow 22% from 2008 to 2013 (per IMS)
 - One of the lowest pharmaceutical spending per capita of the developed nations
- Population >50 years old set to increase by 180mm people from 2010-2020

- Greater wealth and detrimental dietary changes leading to higher incidences of lifestyle diseases
 - Obese population tripled from 2002-2010

- RMB 850bn healthcare stimulus to modernize the delivery of care and expand coverage to rural areas
 - 40% of stimulus towards infrastructure



- Chronic kidney disease patients to receive increased access to treatment through government building of hospitals as well as private sector investments (e.g. Shandong Weigao's dialysis centers)



*Source: Citi Investment Research

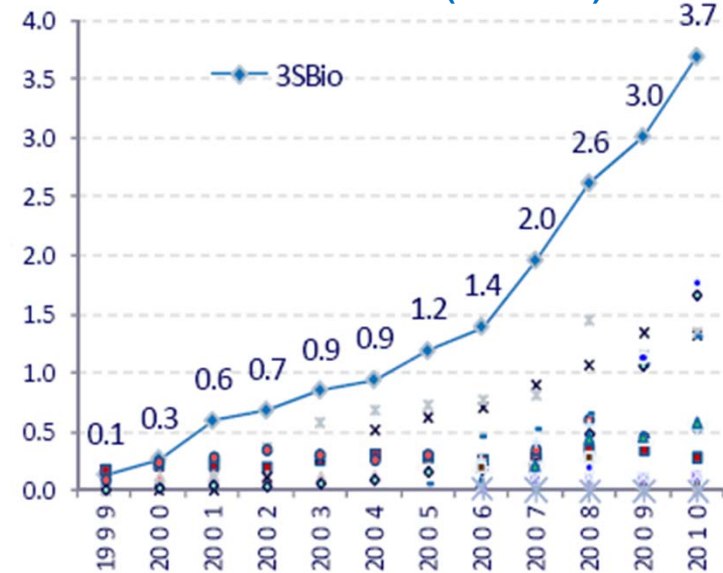


3SBio is Positioned Well to Benefit from CKD Growth



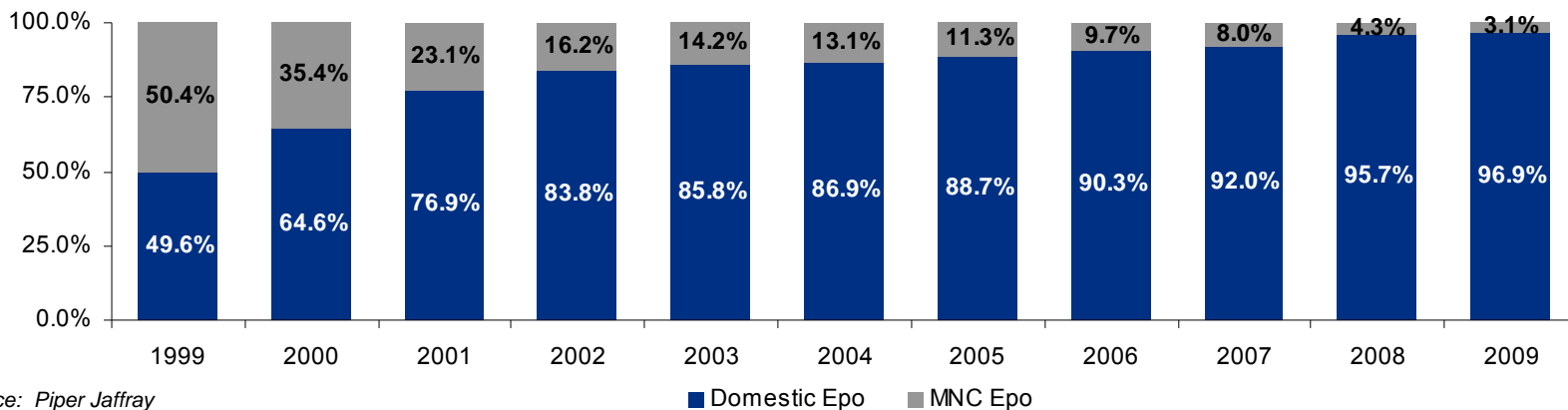
- ▶ 3SBio is a fully integrated, profitable Chinese biotech company with in-house capabilities for developing biologic drugs
- ▶ EPIAO, 3SBio's flagship product, has been the #1 epo product for anemia in the Chinese market since 2002
 - Epo use accompanies kidney disease treatment
 - EPIAO is widely regarded as the highest quality epo product behind Amgen's Epogen
 - 3SBio outcompeted multinationals to gain the largest market share
 - Testament to notion that China will favor its own products once quality reaches Western standards
 - Maintained robust revenue growth of more than 25% y/y for the past few years

Chinese EPO Market (mm vials)



*Source: 3SBio

Market Conversion to Domestic EPO Products (by Vials)



*Source: Piper Jaffray



4) Next-Generation Sequencing (NGS): Redefining the Genomic Landscape

Next Generation Sequencing (NGS) Provides an Attractive Secular Theme

- Next-Generation Sequencing (NGS) represents a current ~\$1.0bn market opportunity with an expected CAGR of ~30% over the next few years (2010-2015)

Portfolio companies	NGS instruments
Illumina (ILMN)	<i>HiSeq 2000/MiSeq</i>
Life Technologies (LIFE)	<i>SOLiD/Ion Torrent</i>
Fluidigm (FLDM)	<i>Access Array</i>



HiSeq 2000



MiSeq



SOLiD



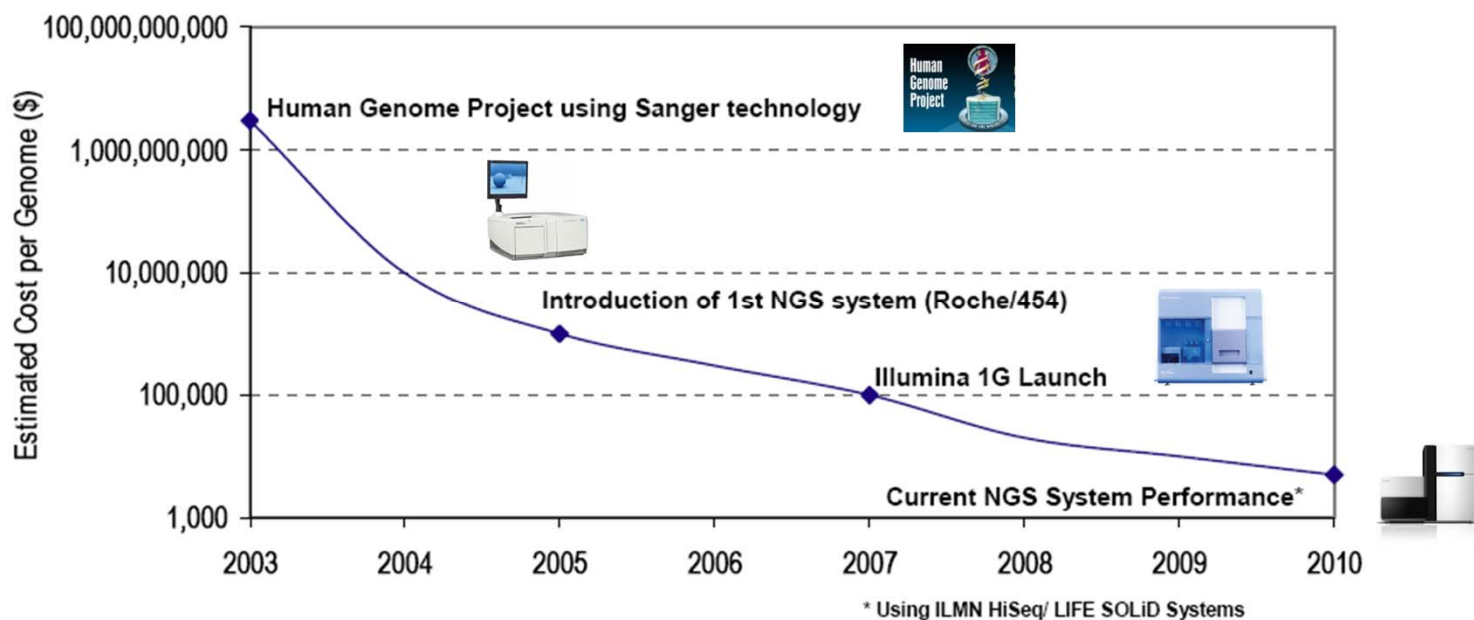
Ion Torrent



Access Array

Human Genome Project has Paved the Way for Research in Whole Human Genome Sequencing

- Since the completion of the first “rough draft” of the Human Genome, whole human genome sequencing has reaccelerated; driven primarily by technological innovation and cost reduction
- The “Holy Grail” is the \$1,000 genome, opening up broader clinical applications for sequencing



Time	Total number of whole human genome sequenced	\$ approximate cost per genome
2000	1	~\$3,000,000,000
2009*	~200	~\$30,000-\$50,000
2010*	~1,500	~\$10,000-\$20,000
2011**	~30,000	<\$10,000

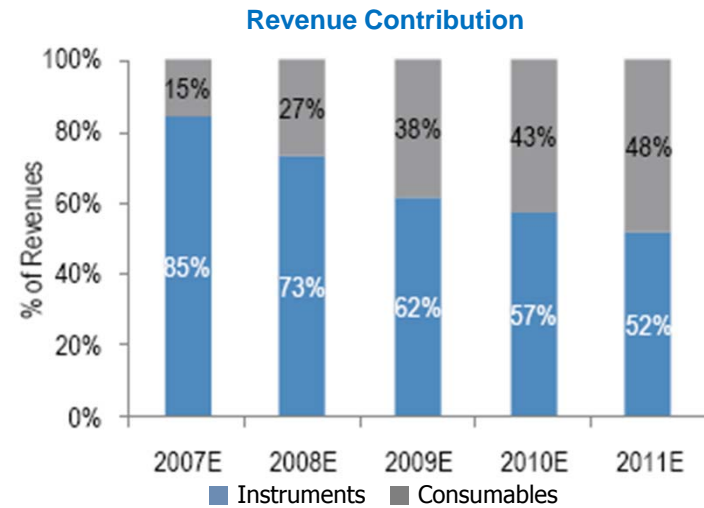
Source: *Cowen & Co./**Nature

Illumina is the Leading Player in Genomic Sequencing

MiSeq will open broader clinical applicability at a lower price point

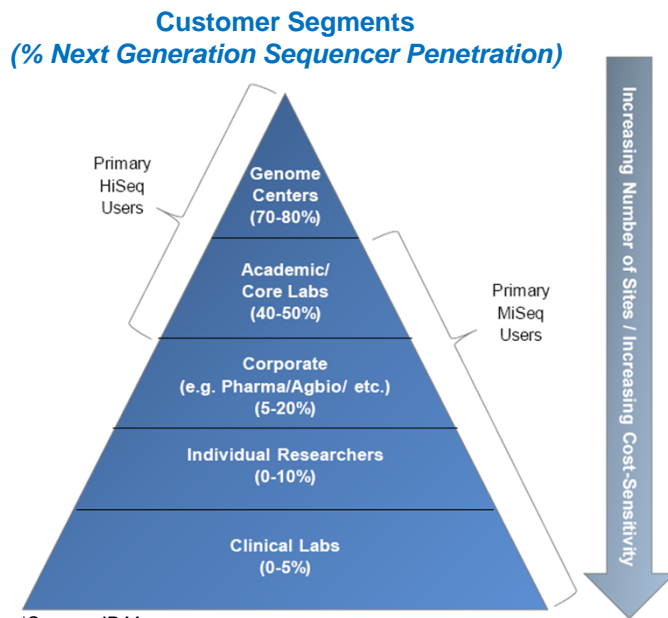


- ▶ Illumina is a leading genetic analysis tools company which sells both microarrays and next-generation sequencing instruments
 - Illumina's innovative solutions for DNA, RNA, and protein analysis serve as tools for disease research, drug development, and the development of molecular tests in the clinic
- ▶ Next leg of growth to come from further adoption of the HiSeq 2000 in the genome center / academic lab settings and rollout of the MiSeq to smaller clinical labs



*Source: JP Morgan

- ▶ Higher throughput of the HiSeq instrument generates greater sales of higher margin consumable products
- ▶ Illumina's proven capabilities will allow them to deliver lower sequencing costs and thus open up widespread use in the clinical setting



*Source: JP Morgan

Cutting Edge Product Development Capabilities



OrbiMed Update

OrbiMed Update

Developments since the 2010 AGM

- **Assets Under Management Have Grown to Over \$6 Billion**
- **Refined our Coverage of the Emerging Markets**
 - ▶ Expanded our China public equities coverage
 - Hired an analyst to be stationed in our Shanghai office for dedicated coverage of Chinese healthcare equities
 - Obtained QFII allocation to trade on the domestic Chinese exchanges
 - Developed plans to launch a dedicated emerging markets fund
 - ▶ Successfully closed a \$200mm Israeli life sciences venture capital fund and opened a Tel Aviv office
- **Launched a Structured Finance Fund**
 - ▶ Will close a dedicated \$500mm+ structured finance fund to acquire royalty interests in approved pharmaceutical drugs by year end
- **Expanding Our Offices**
 - ▶ Relocating our NY headquarters to 601 Lexington Avenue, an iconic NYC landmark, by year end
 - Will more than double our office space and will improve our technological infrastructure
 - Hired additional junior resources for support
 - Firm now has offices in New York, San Francisco, Shanghai, Mumbai and Tel Aviv

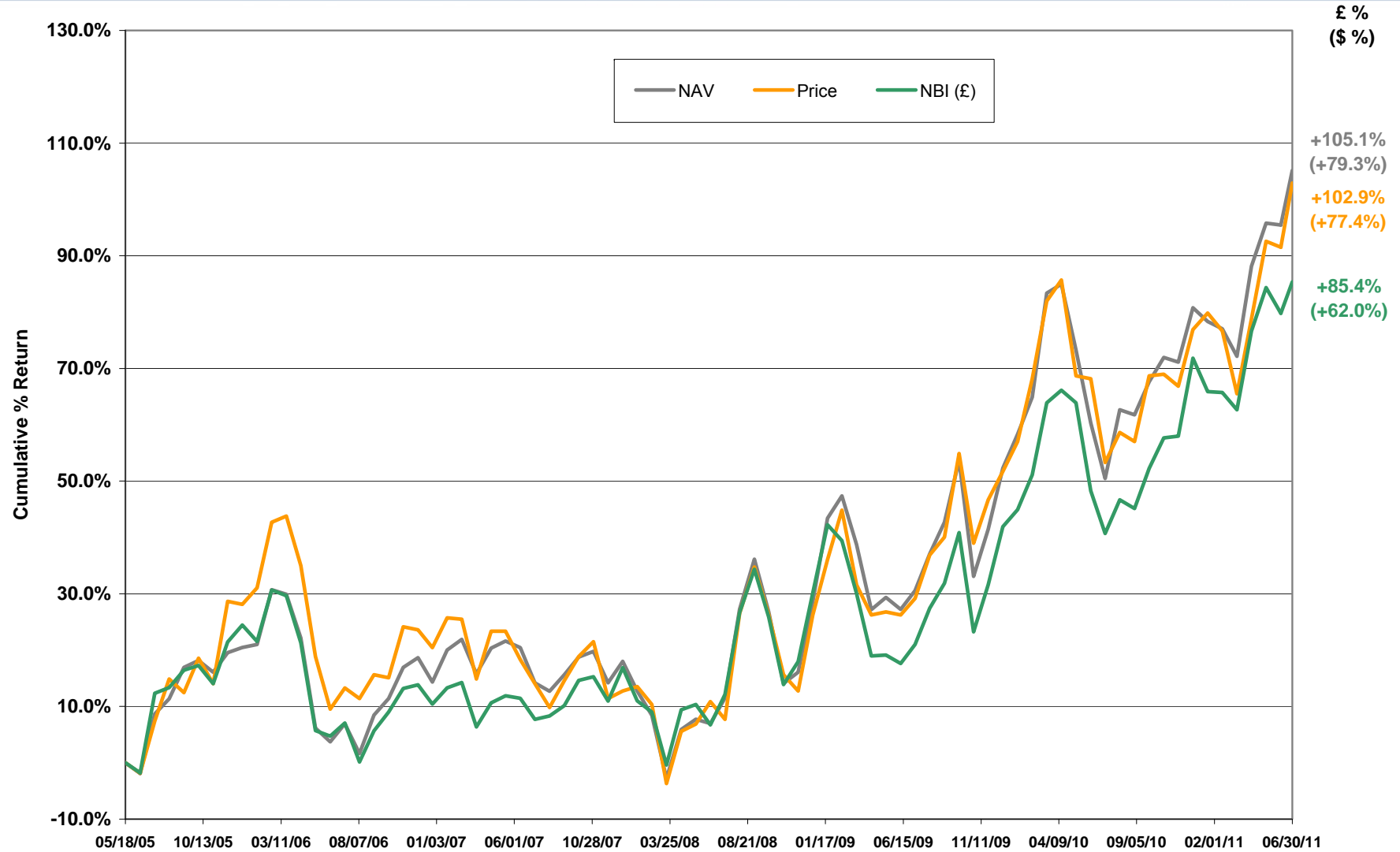
Biotechnology Outlook for Fiscal Year 2012

- Now that healthcare reform legislation has passed, we believe biotech is poised to continue to outperform the market.
 - Macro uncertainties may weigh on consumer- and financially-focused companies, but we think biotech will be defensive like in 2008.
- Several clinical and regulatory catalysts are due to occur over the next 12 months, and there are a number of blockbuster drugs due to be introduced over the next couple of years.
 - Key areas of focus include Hepatitis C, Multiple Sclerosis and Oncology.
- Biotechnology sectors will develop in the emerging markets as their healthcare infrastructures catch up to Western standards.
- The pace of M&A should remain robust. BIOG has benefited from this M&A activity historically and will continue to do so in the future.

Appendix

BIOG Performance Over OrbiMed Tenure

18 May 2005 through 30 June 2011



Disclaimer

Nothing in this document should be construed as investment advice or any offer, invitation or recommendation to buy or sell shares.

Past performance is not a guide to future performance. The value of investments and income from them can go down as well as up and you may not get back the amount originally invested.

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