Focus on Healthcare

James Brown
020 3100 0265
Simon Elliott
020 3100 0254
Kieran Drake
020 3100 0267

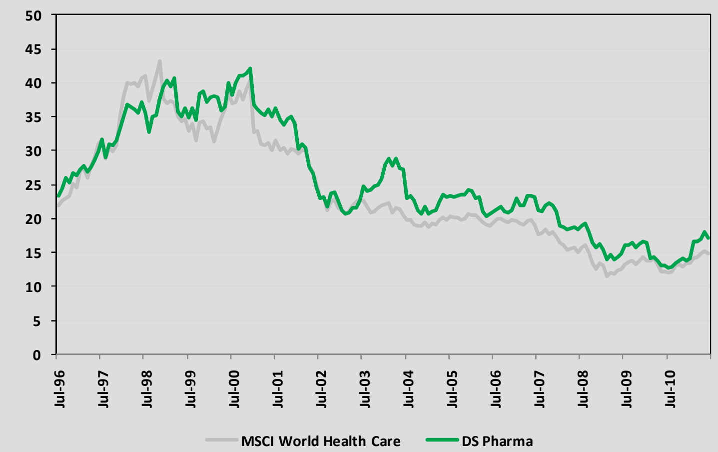
- **Sector outperforms wider market so far in 2011**
- **Fundamentals and valuations remain attractive**
- **Experienced managers provide specialist exposure**

Healthcare well-placed for re-rating

Aside from a period of relative defensiveness during 2008, Healthcare has been a dull performing sector since the late 1990s. However there are signs that this may be changing, with the sector now outperforming since March this year. Obama's healthcare reform bill has now been passed and the impacts of it, not as severe as previously feared, digested by the market. In addition, the key drivers for the sector, such as ageing populations, and growing middle classes in emerging markets, remain intact. As the chart below shows, despite an uptick this year, valuations remain around historic lows.

The Healthcare sector is a highly specialised sector, which we believe benefits from a specialist approach, particularly in relation to the biotech subsector. An intimate knowledge of drug development is clearly an advantage. There are four investment trusts focused on the Healthcare sector. These range from pure biotech, through to investing across the healthcare spectrum including biotech, large pharmaceuticals, medical devices and healthcare services. There are also a number of open-ended funds specialising in this sector, but the better performing investment trusts have outperformed their open-ended peers.

Long-term Price/Earnings ratio of the Health Care sector



Source: Winterflood Securities, Thomson Reuters

Winterflood View

Given the fundamentals of the Healthcare sector, and the undemanding valuations, we see scope for the very recent outperformance continuing into the medium term. We view specialist investment trusts as the ideal vehicles for exposure to this theme.

Polar Capital Global Healthcare Growth & Income is differentiated from its peers by aiming to pay dividends of 3p per year and, as a result, it is trading at a premium. **International Biotech Trust** has separate listed and unlisted portfolios. However, despite generating positive absolute returns, as per its mandate, it has lagged both peers and relevant indices. We are currently recommending **Biotech Growth Trust*** in this sector, managed by Geoffrey Hsu and Rickard Klemm of OrbiMed Advisers. Although for investors looking for a larger, more liquid trust, **Worldwide Healthcare Trust*** may be more appropriate. Both funds have excellent records, with Biotech Growth Trust being the standout performer among both open- and closed-ended peers. We believe these funds benefit from experienced, specialist managers, and are well-placed to outperform the broader healthcare sector.

Table of Contents

Market Performance

In this report the Healthcare sector includes the sub-sectors of Biotech, Pharmaceuticals, Medical Devices and Healthcare Services (including health insurance etc).

Difficult decade for Healthcare

Aside from a period where the sector outperformed the broader market in 2008, the last decade has been a difficult one for the Pharmaceuticals and broader Healthcare sectors. The 1990s was a golden age for pharmaceutical companies; many were generating strong growth, with productive R&D departments identifying new drugs to replace those whose patents were expiring. These companies traded on rich multiples, reflecting the expectation of their continued growth. To maintain the growth, many looked to mergers and acquisitions. However, difficulty in achieving synergies from acquisitions, patent expiries, lack of success from R&D departments, drying pipelines and the prospect of government mandated healthcare reform all led to a decade of disappointment for investors.

Defensive and deep value

The backdrop has been more positive this year with Obama's healthcare reform bill now passed (as discussed below) and digested by the market, the healthcare sector has outperformed the broader market since March. In addition to the clarity surrounding healthcare reform, the deep value and defensive characteristics of Healthcare have generated demand for the sector in a period of market uncertainty.

Long-term Relative Performance of Healthcare Sector

Source: Winterflood Securities, Thomson Reuters
Note: Data is MSCI AC World Health Care Index relative to MSCI World (£ Total Return)

5 Year Relative Performance of Healthcare Sector

Source: Winterflood Securities, Thomson Reuters
Note: Data is MSCI AC World Health Care Index relative to MSCI World (£ Total Return)

Drivers for sector growth remain

The key drivers of the Healthcare sector remain intact. Population growth, ageing western populations and growing middle classes in emerging markets should all combine to generate significant demand growth for healthcare products and services.

While major pharmaceutical companies have struggled for results from their R&D departments, current valuations are undemanding and arguably already discount this. In addition, biotech companies have been more successful in developing successful products, and we would expect them to be beneficiaries of M&A from major Pharmas looking to augment their pipelines with new products.

US Healthcare Reform

Mixed impact from US healthcare reform

After considerable wrangling and compromise, President Obama finally signed into law the US healthcare reform bill in March 2010. From 2014, healthcare coverage in the US will cover an additional 30 million people which should benefit biotech and pharmaceuticals through an increase in demand for drugs, particularly generics. OrbiMed's (investment manager of Biotech Growth Trust and Worldwide Healthcare Trust) view on the reform is that a negative short-term financial impact should be more than offset by volume gains in future years. Key points are:

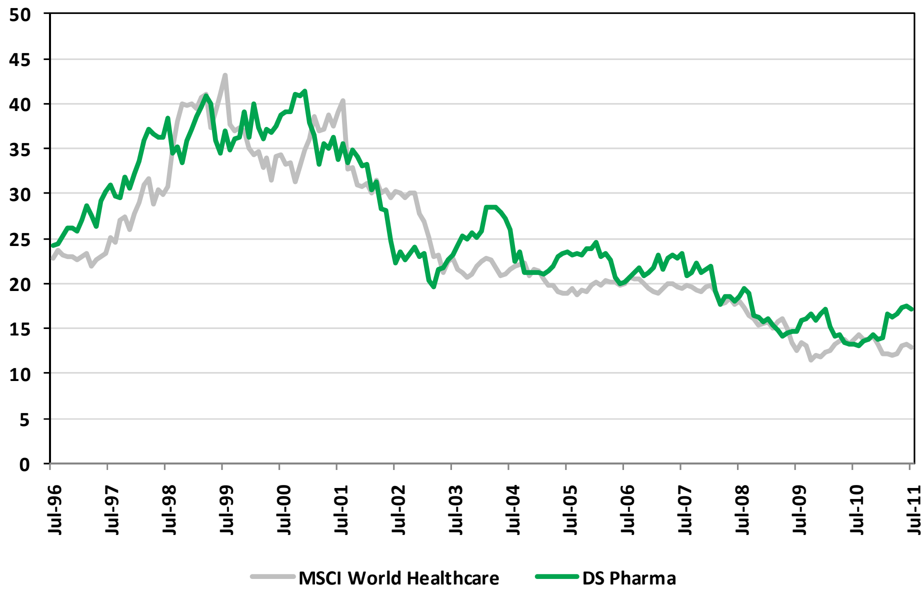
- Positive measures for the biotech industry included the absence of a 'public plan' insurance option in the final bill and biotech drugs were given 12 years of market exclusivity; and
- Short term earnings will be affected by the expansion of the Medicaid rebate, new discounts on Medicare Part D drugs, an excise tax on medical device companies and an annual fee on branded pharmaceutical sales.

Valuations

Valuations at historic lows

Although Biotech and Pharma have outperformed the broader market this year, valuations are still at or near to historical lows. On this basis a number of high profile managers, including Neil Woodford, believe there to be very attractive upside potential in the Biotech and Pharmaceuticals sectors. As evidence of Neil Woodford's views, 26% of Edinburgh Investment Trust's portfolio is invested in the Healthcare sector, predominantly in the major UK Pharmas such as AstraZeneca and GlaxoSmithKline.

Long-Term P/E ratios of Pharmaceuticals and Healthcare indices



Source: Winterflood Securities, Thomson Reuters, Bloomberg

Validity of Specialist Mandate

Case for specialist mandate remains robust

The mega-cap pharmaceutical stocks are widely held by income growth funds, as well as global growth funds. This is not surprising given the attractive yields on some of these companies. However, at the Biotech level and the more specialist healthcare level, coverage is limited. Biotech companies are often not yet profitable and, as a result, can be very hard to value. Their performance can be binary, and dependant on the clinical performance of a new drug which is in the development and testing stage. For this reason we believe that the argument for the specialist mandate remains robust.

Managers have specific clinical skills

One of the key drivers of performance in the Biotech sector is the ability to identify the next blockbuster drug or therapeutic treatment. A number of managers in this sector have specific clinical experience which, we believe, leaves them better placed than generalist investors to identify the most likely successful drug candidates, and potential M&A candidates which would be attractive targets for major Pharma companies.

There are four investment trusts which specialise in investing in the Healthcare sector, but their mandates vary considerably. For details of the investment policies of these four funds, and their benchmarks, please see **Appendix II.**

Healthcare Investment Trusts

	Assets (£m)	Manager	Portfolio Manager	Appointed	Equity exposure (% of NAV)	Yield
Biotech Growth Trust	144	Frostrow Capital / OrbiMed Advisors	Richard Klemm & Geoffrey Hsu	May-05	106	-
International Biotech	102	SV Life Sciences	Kate Bingham & David Pinniger	Jan-01/Apr-08	99	-
Polar Cap. Glob. Healthcare G&I	102	Polar Capital	Gareth Powell & Daniel Mahoney	Jun-10	98	2.7%*
Worldwide Healthcare Trust	430	Frostrow Capital / OrbiMed Advisors	Sam Isaly	Apr-95	113	2.0%

Source: Winterflood Securities, Thomson Reuters,
* - Polar Capital Global Healthcare Growth & Income has only paid three dividends of 0.4p to date, but expects to pay out around 3p p.a.

Performance Rankings

Comparison with open-ended fund performance

Biotech Growth Trust amongst best performers over all time periods

In addition to the four investment trusts, there are a number of open-ended alternatives in the Healthcare and Biotech sectors. When compared with open-ended funds the investment trusts' performance varies. **Biotech Growth Trust*** is one of the best performing funds against this wider peer group over all time periods up to 5 years. **Worldwide Healthcare Trust*** has also been highly ranked over three and five years, although more recent performance has been less noteworthy. **International Biotech's** relative performance has been disappointing, being comfortably in the bottom half in all time periods, although it has generated positive absolute returns, as per its mandate. **Polar Capital Global Healthcare Growth & Income** has only been in existence for just over a year, but in that time its performance has lagged that of its peers, both open-ended and closed-ended.

Comparison with Open-Ended Healthcare/Biotech Funds with assets over £50m (ranked by 5 Yr performance)

Fund	Fund size (£m)	% NAV Performance 6m	1y	3y	5y	Peer Group Rank 6m	1y	3y	5y
Dexia Eqs L Biotechnology	99	13.2	29.3	92.7	118.0	6	5	1	1
Biotech Growth Trust	**125**	**19.1**	**34.7**	**77.5**	**107.0**	**1**	**2**	**2**	**2**
UBS (Lux) EF Biotech	205	13.7	24.3	53.5	85.4	4	9	7	3
Pictet-Generics	279	3.2	7.9	63.5	83.5	23	23	3	4
Franklin Biotechnology Disc	84	14.9	29.4	56.8	82.2	2	4	6	5
Worldwide Healthcare Trust	**326**	**10.1**	**20.9**	**63.1**	**79.4**	**11**	**14**	**4**	**6**
Pictet-Biotech-HP	852	8.9	39.3	-2.6	73.9	16	1	21	7
Wellington Mgmt Global Health Care	144	14.2	21.8	60.9	62.1	3	12	5	8
Pictet-Biotech-P	852	9.0	25.8	10.7	62.0	15	7	20	9
BGF World Healthscience	419	11.4	23.3	49.7	58.5	8	10	9	10
AXA Framlington Health	266	10.7	25.1	50.8	51.1	10	8	8	11
LO Funds Golden Age	214	8.1	29.8	32.9	50.4	17	3	16	12
FF - Global Health Care	343	4.5	16.1	43.8	45.6	22	20	11	13
Invesco Global Health Care	95	11.2	20.2	39.3	42.1	9	15	13	14
Schroder Medical Discovery	67	9.2	19.9	49.1	41.8	14	16	10	15
BNPP L1 Equity World Biotechnology	75	7.6	27.6	35.0	41.2	18	6	14	16
L&G Glbl Health and Pharma Index	53	10.0	17.8	42.7	37.4	12	18	12	17
International Biotech	**85**	**7.5**	**14.8**	**25.9**	**33.3**	**19**	**21**	**18**	**18**
Skandia Healthcare	104	11.8	21.0	23.5	27.2	7	13	19	19
BNPP L1 Equity World Health Care	107	4.7	17.9	31.6	26.0	21	17	17	20
UBS (Lux) EF Health Care	92	9.8	16.7	33.2	23.8	13	19	15	21
Polar Cap. Glob. Healthcare G&I	**106**	**7.0**	**14.3**	**n/a**	**n/a**	**20**	**22**	**n/a**	**n/a**
Polar Capital Healthcare Opps	97	13.2	22.8	n/a	n/a	5	11	n/a	n/a

Benchmarks

Benchmark	6m	1y	3y	5y
Nasdaq Biotechnology	13.9	30.2	58.1	85.3
Datastream Worldwide Pharma	8.0	16.8	49.6	44.0
MSCI World Health Care	9.2	19.3	42.9	38.2

Source: Winterflood Securities, Thomson Reuters, Morningstar
Data to 22 July 2011

OrbiMed managed funds the clear leaders

Performance of the funds within the peer group has been diverse. International Biotech has been the laggard over most time periods on a NAV basis, and has been a clear laggard in share price terms. Biotech Growth Trust* has performed very well, particular under OrbiMed's management over the last five years, and especially in the difficult markets of 2008 when it was one of the only funds to post positive absolute performance. Worldwide Healthcare* has also been a consistently strong performer, outperforming its benchmark over all periods and generating an enviable long-term track record.

Investment Trust Peer Group Comparison

		% NAV Performance				Peer Group Rank			
	Mkt cap (£m)	6m	1y	3y	5y	6m	1y	3y	5y
Biotech Growth Trust	125	19.1	34.7	77.5	107.0	1	1	1	1
International Biotech	85	7.5	14.8	25.9	33.3	3	3	3	3
Polar Cap. Glob. Healthcare G&I	106	7.0	14.3	n/a	n/a	4	4	n/a	n/a
Worldwide Healthcare Trust	326	10.1	20.9	63.1	79.4	2	2	2	2
Benchmarks									
Nasdaq Biotech		13.9	30.2	58.1	85.3				
Datastream Worldwide Pharma		8.0	16.8	49.6	44.0				
MSCI Worldwide Healthcare		9.2	19.3	42.9	38.2				

Source: Winterflood Securities, Thomson Reuters
Data to close on 22 July 2011

Sector Discount History

Wide discount differential

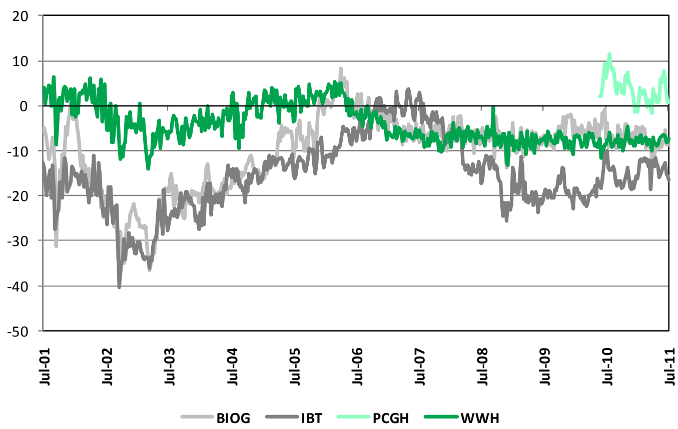
The constituents of this sector have very different discount histories over the last ten years. While Worldwide Healthcare Trust often traded on a premium prior to 2006, it has since traded at a discount which has been consistently within a range of 5-10%, and has been supported by considerable buy-backs enforcing a discount control mechanism. The two biotech funds struggled in the fallout from the TMT bubble with their discounts exceeding 30% in 2003. However, both discounts tightened as markets recovered, and both traded at premiums around 2006-2007. As markets struggled again in 2008, International Biotech's discount again widened to around 25%. It has recovered somewhat, but still trades consistently wider than its peer group. Biotech Growth Trust's discount has remained within a range of 5-10% in recent years, also supported by buy-backs. Polar Capital Global Healthcare Growth & Income has consistently traded on a premium since launch last year, supported by the promise of a healthy yield.

12 month Discount history

Fund	Current	12m avge	Discount (%) 12m low	12m high	Z-score
Biotech Growth Trust	-7.0	-7.4	-3.5	-11.9	0.3
International Biotech	-16.6	-14.9	-9.9	-19.3	-0.8
Polar Cap. Glob. Healthcare G&I	4.6	3.4	11.6	-2.7	0.4
Worldwide Healthcare Trust	-8.0	-7.8	-4.7	-10.7	-0.2

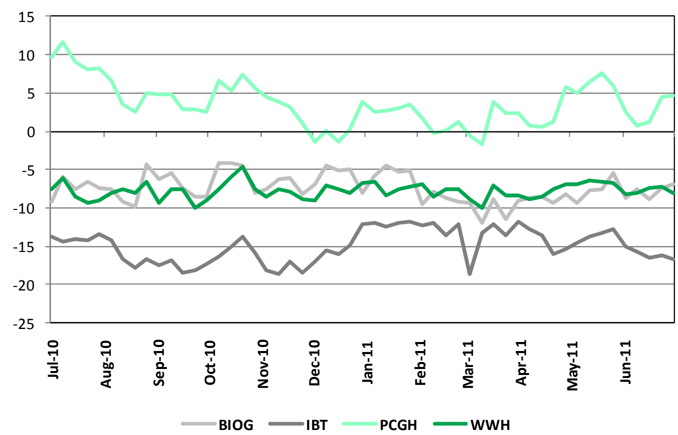
Source: Winterflood Securities, Thomson Reuters

10 Year Sector Discount History (with debt at par)



Source: Winterflood Securities, Thomson Reuters

1 Year Sector Discount History (with debt at par)



Source: Winterflood Securities, Thomson Reuters

Buybacks

Significant buybacks to support discounts

Prior to the launch of Polar Capital Global Healthcare Growth & Income, all three funds in the sector had adopted discount control targets. However these were quite differently managed. International Biotech originally had a target of 8%, but as a result of the difficult market conditions, the discount was allowed to drift, and in its most recent annual results, the Chairman noted that despite share buy-backs the 8% discount target "*continues to prove difficult to achieve*". The discount reached 25% in late 2008, and over the last twelve months the average has been 18%. Both Biotech Growth and Worldwide Healthcare had discount targets of 6%. Whilst this was relaxed marginally, both funds have bought back considerable numbers of shares to prevent their discounts widening substantially. Having traded on a premium since launch, Polar Capital Global Healthcare Growth & Income has not bought back any shares.

Share Buybacks

	Value (£m)				% of share capital			
	2008	2009	2010	2011 ytd	2008	2009	2010	2011 ytd
Biotech Growth Trust	10.3	4.8	1.2	2.1	15.4%	7.1%	1.1%	1.9%
International Biotech	4.9	4.7	4.1	4.7	5.9%	5.5%	4.8%	6.3%
Polar Cap. Glob. Healthcare G&I	-	-	-	-	-	-	-	-
Worldwide Healthcare Trust	22.1	47.2	22.9	-	9.7%	20.0%	7.7%	-

Source: Winterflood Securities, Bloomberg
To end of June 2011

Winterflood View

Positive on the Healthcare sector

We remain positive on the prospects for the Healthcare sector. At the larger end, valuations remain at or near to historic lows and, in a period of renewed market uncertainty, we believe that the sector could benefit from its defensive characteristics.

Re-rating has commenced

The sector has faced considerable headwinds in recent years, not least from the uncertainty surrounding potential US healthcare reform. Having had a chance to digest the impacts of the changes after the bill was passed in 2010, the market appears to view the impacts as less severe than previously expected. Against this backdrop, the Healthcare sector has outperformed the broader market since around March this year. With valuations still at undemanding levels we see the potential for this outperformance to continue into the medium term.

Significant potential for Biotech

Over the long term, Biotech still holds the prospect for substantial returns albeit with the risk surrounding drug discovery. M&A activity, in our opinion, should benefit Biotech companies as major pharmaceutical companies with strong balance sheets look to replenish their drug pipelines.

Biotech Growth Trust favoured

In the sector, we are currently recommending **Biotech Growth Trust***, the best performing fund in the peer group over all periods up to five years. The investment approach is to identify major growth opportunities through specialist understanding of the new drugs and treatments that companies are developing. This includes forecasting the results of clinical trials.

Specialist expertise

The key advantage of OrbiMed's approach is the experience and depth of their investment team. OrbiMed is a specialist with a proven track record that, by virtue of its medical expertise and experience, is very close to the Healthcare industry. In our view, this advantage is best applied to the Biotech side of the industry where the team's focus on drug development allows them to invest with a greater certainty of success in a high risk industry. The team is benchmark aware, managing risk by holding the core large, profitable Biotech companies. It then looks to enhance returns by investing in a portfolio of higher risk/return companies.

More liquid alternative

However, for those buyers who are constrained by the liquidity of Biotech Growth Trust (see Appendix I), we would recommend **Worldwide Healthcare Trust***. Also managed by OrbiMed Advisors it has an excellent long-term track record, and very experienced management team. Along with a broadened mandate, it has increased its dividend in the last year, and now yields 2%. In addition it is trading at a considerable discount to its most similar peer, Polar Capital Global Healthcare Growth & Income.

** indicates that the company is a corporate broking client of Winterflood Securities.*

Biotech Growth Trust*

- **Biotech Growth invests in both emerging and established Biotech companies, predominantly in the US. The fund has a strong performance record with the NAV up 78% in the last three years compared with 58% for the Nasdaq Biotech index.**
- **In our opinion, this fund benefits from a specialist and well resourced management team with strong industry specific experience. In a fast moving and complex industry, this expertise has produced a demonstrable edge through the fund's performance.**
- **Biotech is regarded as a high risk sector and this fund is exposed to emerging biotech companies where the risk/reward potential is considerable. However, in our opinion, this risk is mitigated by the portfolio's diversification and the inclusion of a number of established, profitable biotech companies such as Shire and Gilead Sciences.**

Management & Investment Process

The investment portfolio of Biotech Growth Trust is managed by OrbiMed Advisors, the largest independent specialist investor in biotechnology/pharmaceuticals with assets under management of over $5bn. This New York based group has been responsible for the fund since 2005. The portfolio is managed by Geoffrey Hsu and Richard Klemm. The investment process is research intensive, reflecting OrbiMed's view that a focused portfolio of conviction stocks will lead to superior performance. Biotech Growth invests in both emerging companies with market caps less than US$3bn that are as yet unprofitable, as well as the major Biotech companies which are larger and already generating profits.

Portfolio

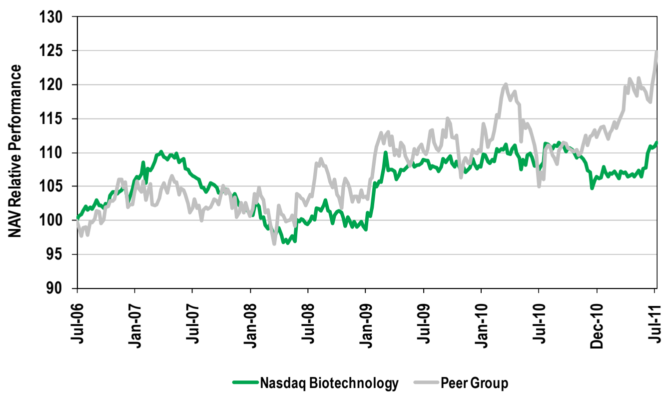
The portfolio is focused on undervalued large cap biotech companies, growing pharmaceutical companies and smaller companies with significant growth prospects and/or the potential for acquisition. At the end of June, the portfolio contained 43 holdings of which 9 were major biotech companies representing 37% of net assets. Exposure to emerging biotechnology companies has been increased recently and includes 57% of assets to US based companies, and 4% in both Europe and the Far East. The management team is positive on the prospects for the biotechnology sector despite macro uncertainties on the basis that it is counter-cyclical. The catalysts over the next twelve months are likely to be clinical and regulatory developments with several blockbuster drugs due to be introduced. In addition, M&A activity is expected to remain robust.

Biotech Growth is currently 6% geared reflecting the positive outlook. At 31 March, there were 16 stocks which were in the portfolios of both Biotech Growth Trust and Worlwide Healthcare Trust, representing 42% of Biotech Growth's total portfolio.

Performance

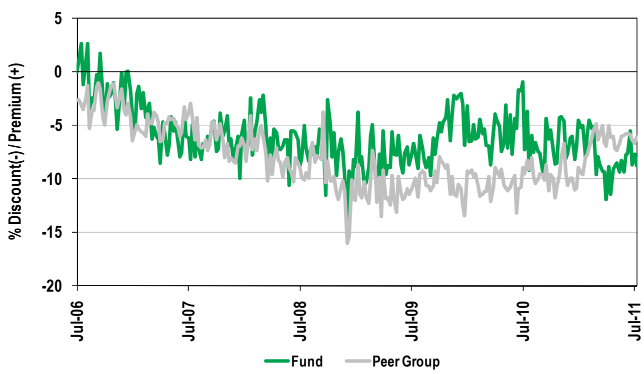
The fund's performance under OrbiMed has been good. Since OrbiMed took over in May 2005, the fund's NAV is up 111% compared with 88% for the benchmark, Nasdaq Biotech. The fund outperformed its benchmark through 2005 and 2006, however it struggled in 2007, a result of its exposure to small cap Biotech companies, while performance since 2008 has been strong. Over the last year, the NAV is up 35% compared with 30% for the benchmark.

Biotech Growth - 5 Year NAV Relative Performance



Source: Winterflood Securities, Thomson Reuters

Biotech Growth - 5 Year Discount History



Source: Winterflood Securities, Thomson Reuters

Discount

After briefly trading at a premium in 2006, the discount widened out to a range of 5-10% through 2006 and 2007. The discount has been well supported by buybacks, with the fund having bought back 17.8m (27% of share capital) shares over the last five years at a cost of £20.7m.

** Biotech Growth Trust is a corporate broking client of Winterflood Securities.*

Biotech Growth Trust

Sector Specialist - Life Sciences **BIOG** **www.biotechgt.com**

Management

Management Group	Frostrow Capital
Fund Adviser	OrbiMed Advisors
Fund Manager	Richard Klemm & Geoffrey Hsu
Start Date	19-May-2005
Management Fee	£60k plus 0.95% net assets*
Performance Fee	Yes
Total Expense Ratio	1.25%
% Charged to Capital	100%
Notice Period	1 year

Trading Details as at: 26-Jul

Price (p/share)	194.8
Diluted NAV (p/share)	204.1
% Premium(+)/Discount(-)	-4.6
1 Yr Average	-7.4
1 Yr Discount Range	-3.5 / -11.9
Cost of Debt (Mkt/Repay)	0 / 0

Yield

Dividend Yield (% net)	0
Next Ex Div (date/p)	-

Liquidity

Market Cap (£m):	124.5
Shares Issued (m)	63.9
Avg Daily Turnover (£'000)	61
WINS Liquidity Grade	C

Warrants

Warrants	-
Date/Call (p)	- / -

Assets

Net Assets (£m):	130.4
Total Assets (£m):	135.1

Investment Objective: Capital growth principally by investing in emerging biotech companies

Portfolio Details

Largest Holdings

as at 31-May-2011

	% of portfolio	
Gilead Sciences Inc	7.2%	USA
Shire Pharmaceuticals Plc	5.9%	UK
Teva Pharmaceutical Industries	4.7%	Israel
Pharmasset	4.1%	USA
Life Technologies Corp	4.1%	USA
Incyte Genomics	3.9%	USA
Illumina Inc	3.6%	USA
Pharmacyclics Inc	3.3%	USA
Celgene	3.2%	USA
Thermo Fisher Scientific, Inc.	3.2%	USA
Total	63.2%	

Source: Morningstar

Geography

as at 31-May-2011

	% of portfolio
USA	77%
Ireland	9%
UK	6%
Israel	5%
Switzerland	1%
Germany	1%
Sweden	1%

Sectors

as at 31-May-2011

	% of portfolio
Biotechnology	97%
Healthcare	3%

Gearing

Portfolio Gearing	106
Cash	0
Portfolio Exposure	106

Other Portfolio Details

Number of Holdings	43
Portfolio Turnover	86%

Performance Summary as at 26-Jul-2011

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Price	14.0%	20.4%	35.2%	79.8%	87.5%	40.0%
NAV	11.4%	19.1%	32.0%	83.6%	107.2%	41.7%
WINS Benchmark	5.5%	13.9%	30.4%	63.9%	85.3%	13.1%
Peer Group NAV	8.3%	10.7%	19.7%	58.1%	70.0%	30.4%

WINS Benchmark: Nasdaq Biotechnology
Fund's Own Benchmark: Nasdaq Biotechnology

NAV Risk Characteristics

	1 yr	3 yr
Volatility: Fund	13.7	24.4
: WINS Benchmark	14.5	24.8
Beta	0.85	0.95
R2 of Returns	85.4	93.8
Tracking Error	5.6	6.2
WINS Risk Rating	Slightly Above Average	

Top Ten Shareholders

Newton Investment Management	15.4%
Baillie Gifford & Co	11.6%
East Riding Of Yorkshire Council	9.7%
M&G Investment Management	7.5%
JPMorgan Asset Management	6.5%
Reliance Mutual Insurance Society	5.9%
Hansa Capital Partners LLP	4.2%
Legal & General Investment Management	3.2%
Scottish Widows Investment Partnership	2.6%
West Yorkshire Super Fund Trustee	2.3%

Source: Argus Vickers

Share Buybacks

Authority to repurchase shares: Yes

Repurchases	'000 shares	%
2011 YTD	1,257	1.9%
2010	733	1.1%
2009	3,828	7.1%
2008	9,845	15.4%
2007	2,113	3.2%
2006	-	-
Total	17,775	28.8%

Key Dates

NAV Published	Daily
Year End	31-Mar
Launch	23-Jun-1997
Continuation Vote:	
Date	AGM Jul 2014
Frequency	Every 5 yrs

Dividend History

Pence (net)	-	0.20	0.40	0.60
Ex date	-	04/07/01	02/08/99	13/07/98
Paid	-	30/07/01	31/08/99	09/04/99

Notes: Performance fee: 16.5% of outperformance of Nasdaq Biotech Index, measured on cumulative performance. 15% to Investment Manager (OrbiMed), 1.5% to manager (Frostrow)

Source: Winterflood Securities, Thomson Reuters, Morningstar

International Biotech

- **Managed by SV Life Sciences, International Biotech's portfolio contains a combination of listed (75%) and unlisted holdings (25%). The listed portfolio is managed by David Pinniger, and the unlisted portfolio by Kate Bingham.**
- **The fund's performance relative to both peers and the Nasdaq Biotech index has been disappointing over both the short- and longer-term. Recent performance has been held back by the unlisted portfolio. Despite this the fund has generated positive absolute returns.**
- **The unlisted element of this fund provides opportunities for significant returns, however this only makes up 25% of the portfolio and we believe there are more attractive ways to get exposure to the biotech sector. In addition, we believe the fund's performance fee structure is inappropriate for the mandate (see Appendix III).**

Management & Investment Process

International Biotech is managed by SV Life Sciences Managers. The fund has separate listed and unlisted portfolios. The listed portfolio is managed by David Pinniger, who joined SV Life Sciences in 2008, while the unlisted portfolio is managed by Kate Bingham, a partner of SV Life Sciences who joined the firm in 1991. The managers aim to generate absolute returns by investing in companies with strong growth potential from the development and/or commercialisation of either a biotechnology drug candidate, medical device or other enabling technology for medical research.

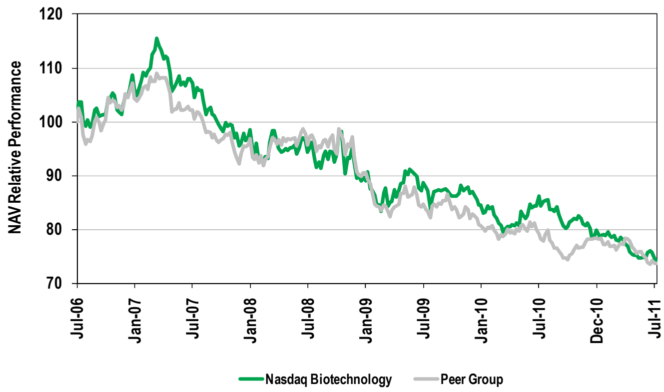
Portfolio

At 31 May, the portfolio consisted of 62 holdings. 73% of the NAV is represented by quoted holdings, 24% by unquoteds, and 3% is in cash. Since 28 February (financial year end), the fund successfully exited one of its significant unquoted investments, Cadent, for £5.4m, an uplift of £1.2m from the carrying value at 28 February. The managers noted at the half year results meeting that the sale would bring the unquoted portfolio down to approximately 19% of net assets with the proceeds likely to be deployed mostly into quoted investments or share buybacks. The unquoted portfolio is fairly mature, and the managers have noted that they expect to see increasing realisations in the next 2-3 years. Should realisations be forthcoming, we would expect significant uplifts to valuations.

Performance

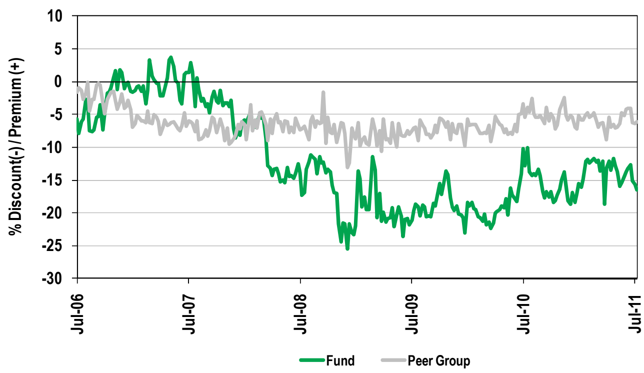
Although the fund's absolute performance has improved, it remains behind relevant benchmarks. Long-term performance is particularly uninspiring when compared with either benchmarks or peers. The NAV performance in the previous financial year was driven by the quoted portfolio (+12.9%), while the unquoted portfolio (-3%) was a drag on performance, predominantly driven by currency movements. Longer term performance is also uninspiring, with the NAV up 26% over three years compared with 58% for the Nasdaq Biotech index, and up 33% over five years compared with 85% for the Nasdaq Biotech.

5 Year Relative NAV Performance



Source: Winterflood Securities, Thomson Reuters

5 Year Discount History (with Debt at par) with Peer Group



Source: Winterflood Securities, Thomson Reuters

Discount

After trading at around asset value in 2007, the discount widened through the second half of 2007 and 2008 and reached nearly 30%. As absolute performance improved, the discount has tightened somewhat, but remains wide at around 17%. The fund had a discount control target of 8%, however, despite buying back shares, this was allowed to drift, and the average over the last year has been around 15%.

International Biotech

Sector Specialist - Life Sciences | **IBT** | **www.internationalbiotrust.com**

Management

Management Group	SV Life Sciences
Fund Adviser	-
Fund Manager	Kate Bingham & David Pinniger
Start Date	10-Jan-2001
Management Fee	1.35% gross assets (1.25% +£100m)
Performance Fee	Yes
Total Expense Ratio	2.13%
% Charged to Capital	0%
Notice Period	1 year

Trading Details as at: 26-Jul

Price (p/share)	151.5
Diluted NAV (p/share)	176.9
% Premium(+)/Discount(-)	-14.4
1 Yr Average	-14.9
1 Yr Discount Range	-9.9 / -19.3
Cost of Debt (Mkt/Repay)	0 / 0

Yield

Dividend Yield (% net)	0
Next Ex Div (date/p)	-

Liquidity

Market Cap (£m):	84.9
Shares Issued (m)	56.0
Avg Daily Turnover (£'000)	72
WINS Liquidity Grade	C

Warrants

Warrants	-
Date/Call (p)	- / -

Assets

Net Assets (£m):	99.1
Total Assets (£m):	99.1

Investment Objective: Capital growth through high growth, development stage biotechnology companies.

Portfolio Details

Largest Holdings

as at 31-May-2011

	% of portfolio	
Teva Pharmaceutical Industries	5.6%	Israel
Cadent	5.1%	
Amgen Inc	5.0%	USA
Gilead Sciences Inc	4.4%	USA
Insulet Corporation	4.3%	USA
Celgene Corp	4.1%	USA
Shire Pharmaceuticals Plc	3.7%	UK
Micromet AG	3.7%	Germany
Aptiv	2.5%	USA
Pharmasset	2.3%	USA
Total	43.5%	

Source: Morningstar

Geography

as at 30-Jun-2011

	% of portfolio
USA	72%
UK	16%
Switzerland	6%
Australia	2%
Netherlands	2%
Canada	1%
Ireland	1%

Sectors

as at 31-May-2011

	% of portfolio
Biotechnology	100%

Gearing

Portfolio Gearing	100
Cash	1
Portfolio Exposure	99

Other Portfolio Details

Number of Holdings	62
Portfolio Turnover	35%

Performance Summary as at 26-Jul-2011

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Price	-1.3%	2.0%	10.2%	27.3%	18.4%	-26.3%
NAV	4.5%	7.4%	13.9%	26.9%	33.4%	-26.3%
WINS Benchmark	5.5%	13.9%	30.4%	63.9%	85.3%	13.1%
Peer Group NAV	8.3%	10.7%	19.7%	58.1%	70.0%	30.4%

WINS Benchmark	Nasdaq Biotechnology
Fund's Own Benchmark	Nasdaq Biotechnology

NAV Risk Characteristics

	1 yr	3 yr
Volatility: Fund	11.1	18.9
: WINS Benchmark	14.5	24.8
Beta	0.69	0.70
R2 of Returns	84.2	84.7
Tracking Error	6.2	10.5
WINS Risk Rating	Slightly Above Average	

Top Ten Shareholders

Astrazeneca Uk Ltd	16.0%
Findlay Park Partners LLP	12.6%
Lazard Asset Management LLC	7.9%
Co-Operative Asset Management	6.3%
AXA Investment Managers	5.6%
Baillie Gifford & Co	5.4%
M&G Investment Management	4.8%
South Yorkshire Pensions Authority	3.6%
East Riding Of Yorkshire Council	3.6%
European Clearing	2.8%

Source: Argus Vickers

Share Buybacks

Authority to repurchase shares: Yes

Repurchases	'000 shares	%
2011 YTD	3,750	6.3%
2010	3,025	4.8%
2009	3,855	5.5%
2008	4,155	5.9%
2007	-	-
2006	500	1.1%
Total	15,285	23.5%

Key Dates

NAV Published	Daily
Year End	31-Aug
Launch	06-May-1994
Continuation Vote:	
Date	AGM Dec 2011
Frequency	Every 2 yrs

Dividend History

Pence (net)	1.00	-	-	-
Ex date	13/11/95	-	-	-
Paid	08/12/95	-	-	-

Notes: Performance fee: Quoted portfolio: 10% on absolute returns over 7% p.a. Unquoted: 20% of net realised gains less net unrealised losses with high watermark. No fees if absolute fall in NAV and capped at 4.99% - excess carried over.

Source: Winterflood Securities, Thomson Reuters, Morningstar

Polar Capital Global Healthcare Growth & Income

- **Polar Capital Global Healthcare Growth & Income was launched in June last year, raising £89m. The fund had an initial dividend target of 3p and, so far, the fund has paid three interim dividends of 0.4p. The fourth dividend, which is scheduled to be paid on 31 August, is likely to be "considerably larger".**
- **The fund has a fixed life of 7½ years, and there will be a wind-up resolution in January 2018. In addition, any performance fee accrued will only become payable at the end of the fund's fixed life in January 2018.**
- **This fund has underperformed its benchmark, the MSCI World Healthcare index, since launch. Given its bias to large cap pharma companies, we would expect the fund to lag its peers, which have a higher weighting to biotech, in favourable market conditions.**

Management

The fund is managed by Gareth Powell and Dr Dan Mahony who both joined Polar Capital in 2007 to set up the Healthcare team. Dan has 11 years' investment experience as both a portfolio manager and sell side analyst. Prior to joining Polar Capital, he was head of the European healthcare research team at Morgan Stanley. Gareth Powell has over 10 years' relevant investment experience. The management team are also responsible for an open-ended fund, Polar Capital Healthcare Opportunities Fund which has assets of £97m.

Portfolio

The fund's portfolio is split into an income portfolio, which represents around 80% of assets, with the remainder invested in a growth portfolio. At the end of May, the top ten holdings represented 63% of net assets while, in terms of geography, 47% of the fund was invested in the US, with the UK and Switzerland representing 16% and 14% respectively. Although it is diversified across a number of sectors, the fund has a bias to large cap pharma with 65% of the portfolio invested there. 85% of the portfolio is invested in companies with market caps greater than $5bn while 10% is invested in companies with market caps less than $1bn.

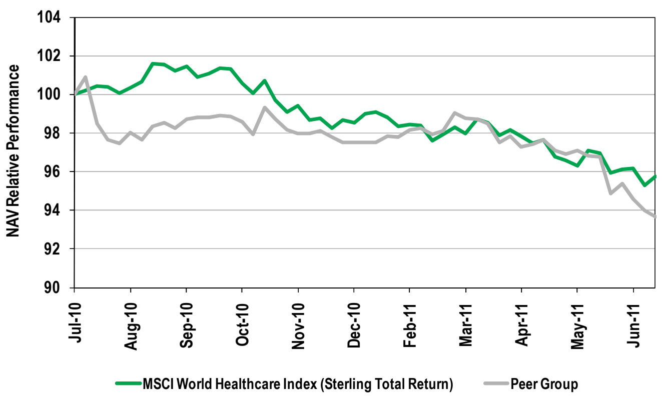
The Growth portfolio has three main themes: inefficiency reduction, innovation and infrastructure. There are around 30 companies in this sub-portfolio including biotechnology, devices, service and pharmaceutical companies. 70% of the growth portfolio is invested in large caps and the weighting to biotechnology is low. The income portfolio contains investments in medical devices and healthcare services companies as well as healthcare REITs which account for 6% of net assets.

The fund does not have structural debt and there is no debt financing currently in place. However, the fund can gear up to 15% of its net assets at the time of drawdown for tactical reasons.

Performance

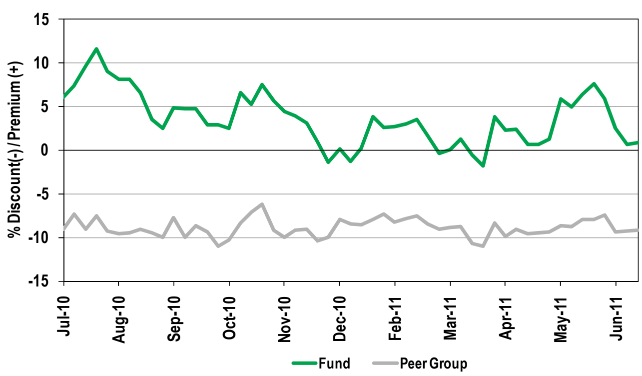
After initially performing in line with its benchmark, the fund has underperformed this year. Since listing, the fund's NAV is up 9.5% compared with a rise of 14.4% for the MSCI World Healthcare index. The fund also has subscription shares which were issued as a bonus on a one for five basis at launch, exercisable at a strike price of 100p in January 2014.

NAV Relative Performance since launch



Source: Winterflood Securities, Thomson Reuters

Discount since launch



Source: Winterflood Securities, Thomson Reuters

Discount

Since launch, the fund has traded at an average premium of 3.7% and has issued 6.275m new shares raising new funds of £6.8m. The fund has a fixed life of seven years: a resolution will be put to the fund's AGM in January 2018 proposing to place the fund into liquidation. Any single vote cast in favour will be sufficient to see the resolution pass.

Winterflood INVESTMENT TRUSTS

27 July 2011

Polar Cap. Global Healthcare

Sector Specialist - Life Sciences **PCGH** **http://www.polarcapitalhealthcaretrust.co.uk/**

Management

Management Group	Polar Capital
Fund Adviser	-
Fund Manager	Gareth Powell / Daniel Mahoney
Start Date	15-Jun-2010
Management Fee	0.85% Market Cap
Performance Fee	Yes
Total Expense Ratio	
% Charged to Capital	80%
Notice Period	0

Trading Details as at: 26-Jul

Price (p/share)	110.5
Diluted NAV (p/share)	106.3
% Premium(+)/Discount(-)	4.0
1 Yr Average	3.4
1 Yr Discount Range	11.6 / -2.7
Cost of Debt (Mkt/Repay)	0 / 0

Yield

Dividend Yield (% net)	1.09
Next Ex Div (date/p)	-

Liquidity

Market Cap (£m):	105.3
Shares Issued (m)	95.3
Avg Daily Turnover (£'000)	196
WINS Liquidity Grade	

Warrants

Warrants	-
Date/Call (p)	31-Jan-2014 / 100

Assets

Net Assets (£m):	102.4
Total Assets (£m):	102.4

Investment Objective: To generate long term total returns in both capital and income. The portfolio will include pharmaceutical, medical devices, services and biotechnology companies.

Portfolio Details

Largest Holdings

as at 31-May-2011

	% of portfolio	
Pfizer Inc	9.8%	USA
GlaxoSmithKline plc	8.8%	UK
Sanofi-Synthelabo SA	7.9%	France
Bristol-Myers Squibb Co	7.2%	USA
Roche Holding AG	6.7%	Switzerland
Eli Lilly & Co	6.5%	USA
Merck & Co Inc	5.6%	USA
AstraZeneca Plc	4.6%	UK
Novartis AG	4.1%	Switzerland
Abbott Laboratories	2.3%	USA
Total	63.5%	

Source: Morningstar

Geography

as at 30-Jun-2011

	% of portfolio
USA	50%
UK	17%
Switzerland	15%
France	9%
Germany	3%
Australia	2%
Japan	1%
Canada	1%
Brazil	1%
Ireland	1%

Gearing

Portfolio Gearing	100
Cash	2
Portfolio Exposure	98

Sectors

% of portfolio

as at 31-May-2011

Other Portfolio Details

Number of Holdings	67
Portfolio Turnover	-

Performance Summary as at 26-Jul-2011

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Price	3.7%	9.1%	8.4%			
NAV	6.8%	6.7%	14.1%			
WINS Benchmark	9.5%	10.3%	19.1%	50.4%	44.1%	
Peer Group NAV	11.6%	11.1%	21.8%	77.1%	78.9%	50.6%

WINS Benchmark: MSCI World Healthcare Index (Sterling Total Return)

Fund's Own Benchmark: MSCI World Healthcare Index (Sterling Total Return)

NAV Risk Characteristics

	1 yr	3 yr
Volatility: Fund	10.4	-
: WINS Benchmark	11.2	21.0
Beta	0.87	-
R2 of Returns	90.4	-
Tracking Error	3.5	-
WINS Risk Rating		

Top Ten Shareholders

Brewin Dolphin	19.3%
Investec Wealth & Investment Management	15.8%
Cazenove Capital Managent	8.2%
Rathbone Investment Management	7.8%
Cheviot Asset Management	4.7%
Brooks Macdonald Asset Management	4.4%
JM Finn & Co	4.1%
Collins Stewart Wealth Management	4.1%
Smith & Williamson	3.6%
Legal & General Investment Management	3.1%

Source: Argus Vickers

Share Buybacks

Authority to repurchase shares: Yes

Repurchases	'000 shares	%
2011 YTD	-	-
2010	-	-
2009	-	-
2008	-	-
2007	-	-
2006	-	-
Total	-	-

Key Dates

NAV Published	Daily
Year End	30-Sep
Launch	15-Jun-2010
Continuation Vote:	
Date	-
Frequency	-

Dividend History

Notes: -

Source: Winterflood Securities, Thomson Reuters, Morningstar

Worldwide Healthcare Trust*

- **Worldwide Healthcare Trust has been managed by Sam Isaly of OrbiMed Advisers since launch in 1995. It has a consistently strong long term performance record, having achieved around 14.5% compound annual returns since launch.**
- **The portfolio currently has around 70 stocks, with a majority being US companies. Last year the mandate was expanded to include Healthcare services and structured finance. As a result, exposure to large pharmaceutical stocks has been reduced.**
- **We rate the OrbiMed team highly and they have achieved excellent long-term results for this fund. We view Worldwide Healthcare Trust as an attractive vehicle for investors looking for diversified exposure to the global healthcare industry.**

Management & Investment Process

The investment portfolio of Worldwide Healthcare (formerly Finsbury Worldwide Pharmaceutical Trust) has been managed by OrbiMed Advisors since launch in 1995. OrbiMed invests across the "life cycle" with its coverage extending from private equity through quoted biotech stocks to the big pharmas, as well as medical devices and Health Services (eg health insurance). It is headed by Sam Isaly who is supported by a team of over 40 investment professionals, with extensive scientific, medical, and finance expertise. There is an expectation that over 60% of the portfolio has to be in large-cap companies over $5bn market cap.

Portfolio

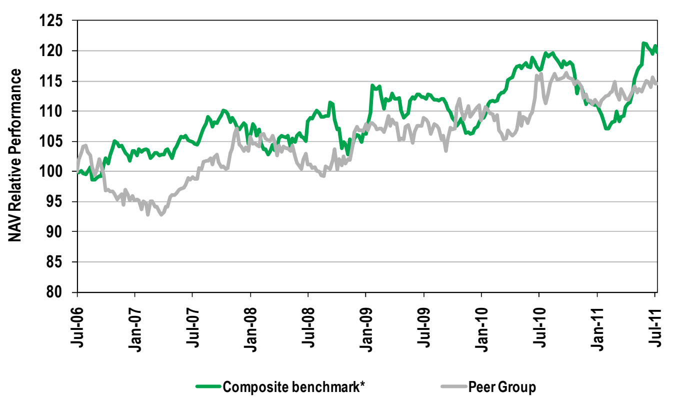
The portfolio has grown from around 40 stocks a year ago to around 70 stocks as a result of the broadening of the fund's mandate. Previously the portfolio included only Pharma and Biotech companies, where it now includes medical devices and health services companies (eg health insurance). At 30 June Healthcare Services represented 15% of the portfolio, Medical Devices and Diagnostics represented 15%, and structured Finance 8%. The remainder of the portfolio continues to be invested in Major Pharma (31%), Specialty Pharma and Generics (23%) Large Biotech (3%) and Emerging Biotech (8%). Reflecting OrbiMed's positive outlook, the portfolio is 13% geared.

Key investment themes which OrbiMed are currently looking to exploit in this fund include Emerging Markets growth, Health Insurance, Next Generation Genomic Sequencing and Innovative Therapeutics in areas such as MS, Hepatitis C and Oncology. At 31 March, there were 16 stocks which were in the portfolios of both Worldwide Healthcare Trust and Biotech Growth Trust, representing 13.4% of Worldwide Healthcare's total portfolio.

Performance

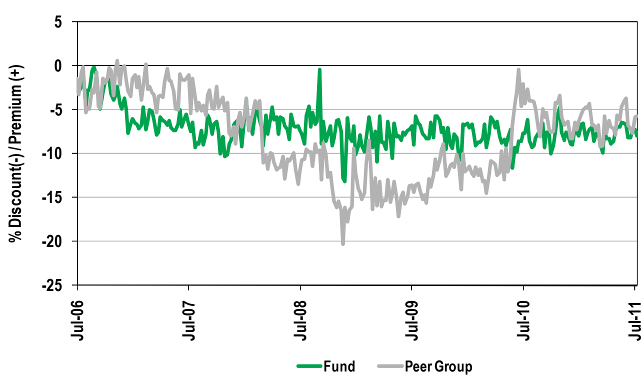
This fund has an excellent long-term record, retuning over 14% pa since launch. More recent performance has also been solid, returning 63% over the last three years, compared with 50% for the Datastream World Pharmaceutical benchmark. Following the broadening of the fund's mandate, the benchmark was changed to the MSCI World Healthcare Index in October 2010. Over the last year the fund's NAV has returned 21% compared with 19% for the MSCI World Healthcare index.

Worldwide Healthcare - 5 Year NAV Relative Performance



Source: Winterflood Securities, Thomson Reuters
Note: * Benchmark changed from DS World Pharmaceuticals to MSCI World Healthcare on 1 October 2010

Worldwide Healthcare - 5 Year Discount History



Source: Winterflood Securities, Thomson Reuters

Discount

After trading at around asset value in 2005 and early 2006, this discount widened in 2006 to between 5-10%. It has consistently traded in that range since that time. The fund operates an active buyback policy, and in the last five years has bought back 26.8m shares costing £141m.

**Note: Worldwide Healthcare is a corporate broking client of Winterflood Securities.*

Winterflood INVESTMENT TRUSTS

27 July 2011

Worldwide Healthcare Trust

Sector Specialist - Life Sciences **WWH** **www.frostrow.com**

Management

Management Group	Frostrow Capital
Fund Adviser	OrbiMed Advisors
Fund Manager	Sam Isaly
Start Date	27-Apr-1995
Management Fee	£57.5k plus 0.85% net assets*
Performance Fee	Yes
Total Expense Ratio	1.04%
% Charged to Capital	95%
Notice Period	1 year (from 30 Nov 05)

Trading Details as at: 26-Jul

Price (p/share)	756.5
Diluted NAV (p/share)	808.0
% Premium(+)/Discount(-)	-6.4
1 Yr Average	-7.8
1 Yr Discount Range	-4.7 / -10.7
Cost of Debt (Mkt/Repay)	0 / 0

Yield

Dividend Yield (% net)	1.98
Next Ex Div (date/p)	-

Liquidity

Market Cap (£m):	326.5
Shares Issued (m)	43.2
Avg Daily Turnover (£'000)	351
WINS Liquidity Grade	B

Warrants

Warrants	-
Date/Call (p)	31-Jul-2012 / 638

Assets

Net Assets (£m):	363.0
Total Assets (£m):	425.1

Investment Objective: High level of capital growth through investing in companies in the healthcare sector on a global basis

Portfolio Details

Largest Holdings

as at 31-May-2011

	% of portfolio	
Novartis AG	6.4%	Switzerland
Roche Holding AG	6.0%	Switzerland
Pfizer Inc	5.3%	USA
Johnson & Johnson	3.9%	USA
Mitsubishi Tanabe Pharma Corp	3.5%	Japan
Bristol-Myers Squibb Co	3.5%	USA
Merck & Co Inc	3.3%	USA
Sanofi-Synthelabo SA	2.7%	France
Wellpoint	2.6%	USA
Allergan Inc	2.6%	USA
Total	36.9%	

Source: Morningstar

Geography

as at 31-May-2011

	% of portfolio
USA	65%
Switzerland	13%
Japan	10%
Fixed Interest	3%
UK	3%
France	3%
China	3%
Ireland	1%

Sectors

as at 31-May-2011

	% of portfolio
Pharmaceuticals	100%

Gearing

Portfolio Gearing	116
Cash	3
Portfolio Exposure	113

Other Portfolio Details

Number of Holdings	61
Portfolio Turnover	76%

Performance Summary as at 26-Jul-2011

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Price	10.0%	10.8%	20.8%	65.9%	69.8%	43.2%
NAV	9.5%	12.2%	21.1%	66.4%	79.4%	55.8%
WINS Benchmark	6.4%	11.1%	21.8%	46.5%	42.3%	27.9%
Peer Group NAV	8.3%	10.7%	19.7%	58.1%	70.0%	30.4%

WINS Benchmark: MSCI World Healthcare Index (Sterling Total Return)

Fund's Own Benchmark: MSCI World Healthcare Index (Sterling Total Return)

NAV Risk Characteristics

	1 yr	3 yr
Volatility: Fund	9.7	19.4
: WINS Benchmark	10.6	20.9
Beta	0.84	0.87
R2 of Returns	87.8	89.2
Tracking Error	3.7	6.9
WINS Risk Rating	Slightly Above Average	

Top Ten Shareholders

East Riding Of Yorkshire Council	7.4%
Newton Investment Management	6.0%
Rensburg Sheppards Investment Management	5.6%
Henderson Global Investors	5.4%
Alliance Trust Savings Limited	4.9%
Tilney Investment Management	3.4%
Brewin Dolphin Securities	3.2%
Legal & General Investment Management	3.2%
Speirs & Jeffrey	3.2%
Smith & Williamson	3.1%

Source: Argus Vickers

Share Buybacks

Authority to repurchase shares: Yes

Repurchases	'000 shares	%
2011 YTD	-	-
2010	3,490	7.7%
2009	8,583	20.0%
2008	4,610	9.7%
2007	10,118	17.6%
2006	-	-
Total	26,801	55.0%

Key Dates

NAV Published	Daily
Year End	31-Mar
Launch	27-Apr-1995
Continuation Vote:	
Date	AGM 2015
Frequency	Every 5 yrs

Dividend History

Pence (net)	15.00	8.50	5.00	3.00
Ex date	08/06/11	23/06/10	24/06/09	18/06/08
Paid	30/06/11	26/07/10	27/07/09	25/07/08

Notes: * Separate fees for Manager and Investment Manager. Performance fee: 16.5% of outperformance of MSCI World Healthcare Index, measured on cumulative performance since 1995 (launch). 15% to Investment Manager (OrbiMed), 1.5% to manager (Frostrow)

Source: Winterflood Securities, Thomson Reuters, Morningstar

Appendix I - Liquidity

With liquidity patchy in parts of the investment trust universe, it is a key consideration for investors. The table below details the average daily trade of the Healthcare sector funds. Liquidity within the sector is largely a function of fund size, with Worldwide Healthcare having by far the highest liquidity as well as the largest market cap.

Average Daily Trade over the past 12 Months

	Average Daily Trade		% of Share Capital
Fund	No of Shares	Value (£'000)	Traded in 12 Months
Biotech Growth Trust	36,431	61	14.9%
International Biotech	48,969	72	22.8%
Polar Cap. Glob. Healthcare G&I	188,131	196	51.5%
Worldwide Healthcare Trust	50,550	351	30.6%

Source: Winterflood Securities, Bloomberg
At 22 July 2011

Appendix II - Investment Policies

Fund	Investment objective and policy	Benchmark
Biotech Growth Trust	To generate capital appreciation through investment in the worldwide biotechnology industry, principally by investing in emerging biotech companies. The majority of companies the fund will invest in are likely to be companies with a market cap of less than US$3bn, but are as yet unprofitable. They will typically be focused on drug research and development, with their valuations driven by profitable developments, clinical trial results and partnerships.	Nasdaq Biotech Index
International Biotech	To achieve long-term capital growth by focusing on investing in development stage biotechnology and other life sciences companies that are either quoted or unquoted but possess the potential for high growth. The Company invests in companies whose shares are considered to have good prospects, with experienced management and strong potential upside through the development and/or commercialisation of a product, device or enabling technology.	n/a
Polar Capital Global Healthcare Growth & Income	To generate capital growth and income by investing in a global portfolio of healthcare stocks. The company seeks to achieve this by investing in a diversified portfolio consisting primarily of listed equities issued by healthcare companies including pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is diversified by geographic location and size of investee company.	MSCI World Health Care
Worldwide Healthcare Trust	The fund invests worldwide in pharmaceutical, biotechnology and related companies in the healthcare sector with the objective of achieving a high level of capital growth. In order to achieve its investment objective, the fund invests in a diversified portfolio of shares in pharmaceutical and biotechnology companies and related securities on a worldwide basis. It uses gearing and derivative transactions to mitigate risk and also to enhance returns.	MSCI World Health Care

Source: Winterflood Securities, Companies

Appendix III - Management Fees

Management Fee summary

		Base fee	Perf Fee~	% Charged to Capital	TER~	TER Fin Yr
Biotech Growth Trust	Management^	£60,000 plus 0.30% of mkt cap p.a.	1.5% of cumulative outperformance over benchmark since 30 June 2005	100%	1.2%	31-Mar-11
	Investment Management	0.65% of NAV p.a.	15% of cumulative outperformance over benchmark since 30 June 2005			
International Biotech		1.35% of NAV up to £100m, 1.25% thereafter	Quoted - 10% of absolute returns above 7% pa. Rebased annually	0%	2.17%	31-Aug-10
			Unquoted - 20% of net realised gains, with a high water mark			
Polar Cap. Glob. Healthcare G&I		0.85% of lower of mkt cap and NAV	10% of excess returns over 100p plus the benchmark return plus 15p. Payable only at liquidation of the fund, expected in Jan 2018	80%	n/a	n/a
Worldwide Healthcare Trust	Management^	£57,500 plus 0.30% of mkt cap up to £150m, 0.20% up to £500m, 0.125% thereafter	1.5% of cumulative outperformance over benchmark since launch in 1995	95% of annual fees and 100% of performance fees	1.4%	31-Mar-11
	Investment Management	0.65% of NAV p.a.	15% of cumulative outperformance over benchmark since launch in 1995			

Source: Companies
^ Management services are provided to Biotech Growth Trust and Worldwide Healthcare Trust by Frostrow Capital. These services include marketing, administrative, governance and secretarial services. Investment management services are provided by OrbiMed Advisors
~ No performance fees were paid during the last financial year.

International Biotech's fees most generous

Among the fees above, Polar Capital Global Healthcare Growth & Income appears to have the most competitive fees, while the International Biotech fees appear the most generous. Among performance fees, the Polar fee is attractive as any fee will only be paid in 2017, when the fund is scheduled to be wound up.

IBT performance fee unrelated to index

Of particular concern to us is that the International Biotech performance fee has no relation to a relevant index. This means that in times of strong market performance, the managers may be able to earn a significant performance fee despite underperforming relevant indices and peers. On the unquoted portfolio, the managers of International Biotech are entitled to a performance fee of 20% of all net returns, subject to a high water mark. The interim results published in April noted that an accrual of £684,000 had been taken for performance fees. This is despite the fund's NAV and share price performance being behind relevant indices over both short-term and long-term time frames. We believe that if a performance fee is required, it should be earned over a longer time-frame, relate to a relevant index such as the Nasdaq Biotech Index, and be subject to a high water mark. Long-term performance of this fund has been dull, and we feel that investors are right to feel aggrieved at paying a performance fee for underperformance.

Winterflood Investment Trust Team – Contact Details

Telephone: 020 3100 + extension

Email: firstname.lastname@wins.co.uk website : www.winsresearch.co.uk

Market Makers		Sales		Research		Corporate	
STX 75410		STX 75413					
Richard Browne	0251	James Moseley	0250	Simon Elliott	0254	Robin Archibald	0290
Daniel Boyce	0256	Graeme Caton	0268	James Brown	0265	Jane Lewis	0295
Mark Carolan	0175	Julian Dixon	0253	Kieran Drake	0267	Robert Peel	0291
Michael Franklin	0111	Carl Goossens	0079			Alex Blake	0297
Ben Fuller	0255	Andrew Marshall	0266			Neil Morgan	0292
Jason Robins	0261	Ron Solomon	0262			Jane Rix*	0293
Sean Verschoyle	0263	Darren Willis	0258				
		Matthew Wilson	0264				
		Lilian Lavis *	0294				

** Team Support*