

## BIOG

Share Price	193p
NAV	209.2p
NAV (undiluted)	209.2p
Discount (-) / Premium (+)	
Now	-7.8%
Average	-7.4%
Low	-3.5%
High	-11.9%
Z-Score	-0.2
Market Cap (m)	£ 124
Assets (m)	£ 144
No. Shares	64.1m
Net Yield	0.0%

Source: Thomson Reuters, Bloomberg

Top 10	(% of NAV)
Gilead Sciences, Inc.	7.9%
Shire PLC	6.5%
Teva Pharmaceuticals Industrials,	5.2%
Life Technologies Corporation	4.5%
Pharmasset, Inc.	4.5%
Incyte Genomics	4.3%
Illumina, Inc.	4.0%
Thermo Fisher Scientific, Inc.	3.8%
Pharmacyclics, Inc.	3.6%
Celgene Corporation	3.5%
	47.8%

Date: 31/05/2011

Source: Morningstar

## Biotech Growth Trust \*

15 July 2011

On 14 July, at Biotech Growth's AGM, Sven Borho (SB), a founding General Partner of OrbiMed, presented an update on the sector and the positioning of the fund.

### Performance

- BIOG slightly underperformed in its financial year to 31 March 2011. However, its long-term performance is strong and so far this year, the fund's NAV is up 18% compared with 12% for its benchmark, the NASDAQ Biotechnology index.
- The underperformance in the last fiscal year was a result of the fund's underweight exposure to profitable mid cap companies while being overweight underperforming major Biotech companies. However, the fund did benefit from the acquisition of **Genzyme** earlier this year. More recently, performance has been driven by strong gains in several small cap holdings such as **Pharmasset** (+168% in Sterling YTD) and **Cubist** (+58%).

### Portfolio

- At the end of June, the fund had 43 holdings of which 9 were major cap biotech companies representing 37% of net assets. The fund is also currently 6% geared.
- As a house, OrbiMed is placing more emphasis on biotech companies in Emerging Market countries and the BIOG portfolio contains two such holdings at present: **3SBio**, a Chinese company, and **Caduceus Asia Partners**.
- SB believes that valuations remain low for major Biotech companies despite mid-teens earnings growth prospects. However, recently there has been more investment in emerging biotech companies with newly launched products or ones that are about to become profitable.

### Investment Themes

- **M&A activity** - this remains a major secular theme for healthcare in general although activity has been relatively quiet so far this year. Although investment is never made solely in order to benefit from M&A, there are a number of potential candidates in the BIOG portfolio including **Shire**, **Biogen Idec**, **3SBio**, and **Pharmasset**.
- **Innovative Therapeutics** - OrbiMed expend considerable effort in establishing the revenue potential of innovative therapies. The current emphasis is on Hepatitis C Direct-Acting Antivirals which has been an intense area of drug development. Holdings in this area include **Pharmasset**.
- **Emerging Markets** - As discussed earlier, this is an area of increased focus for OrbiMed and holdings include **3SBio**, a Chinese biotech company that has drug development capability.
- **Next Generation Sequencing** - BIOG has invested in several companies that provide genomic sequencing machines including **Illumina**, **Life Technologies** and **Fluidigm**. The expectation is that the fall in cost of sequencing will open up the potential market exponentially.

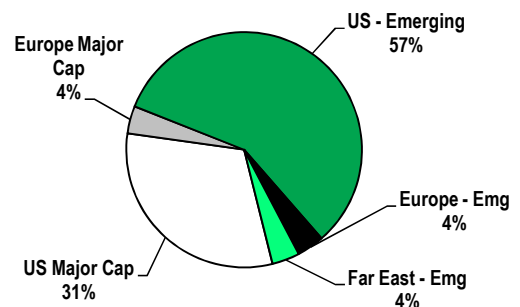
### Outlook

The management team are 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.

	Capital Only			Total Return		
	1m	3m	6m	1y	3y	5y
NAV	7.7%	10.5%	16.3%	32.9%	87.0%	101.8%
Share Price	6.2%	13.5%	12.9%	30.9%	85.6%	84.3%
Nasdaq Biotechnology	5.3%	5.3%	10.0%	28.0%	67.0%	80.8%

Source: Thomson Reuters, Bloomberg

### Portfolio Exposure



Source: The Company as at 30 June 2011

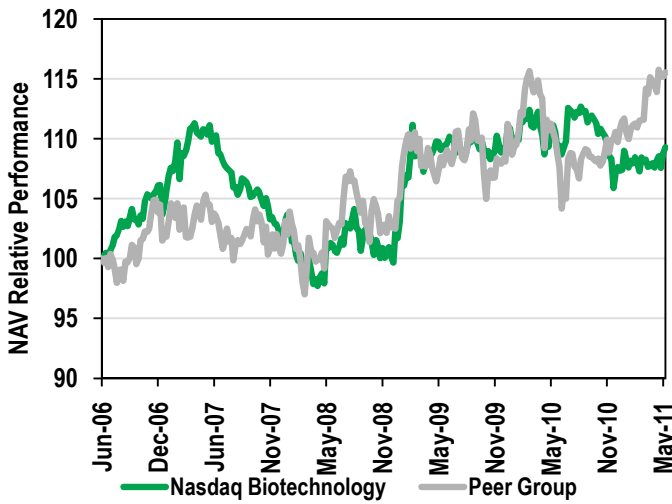
\* This Investment Trust is a corporate broking client of Winterflood Securities

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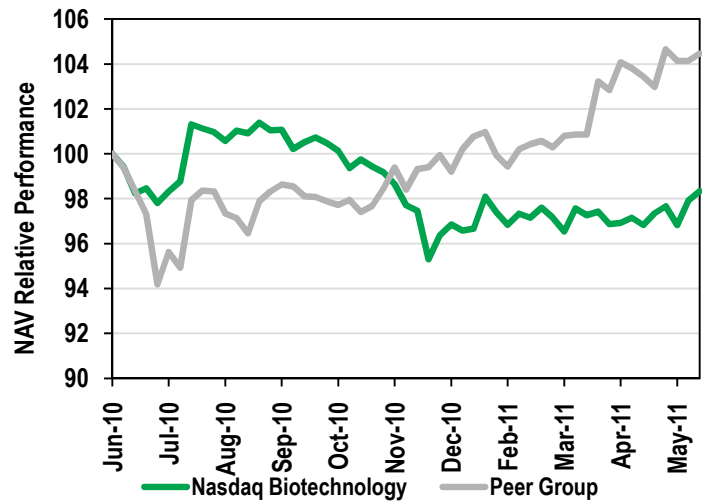
**Biotech Growth Trust \***

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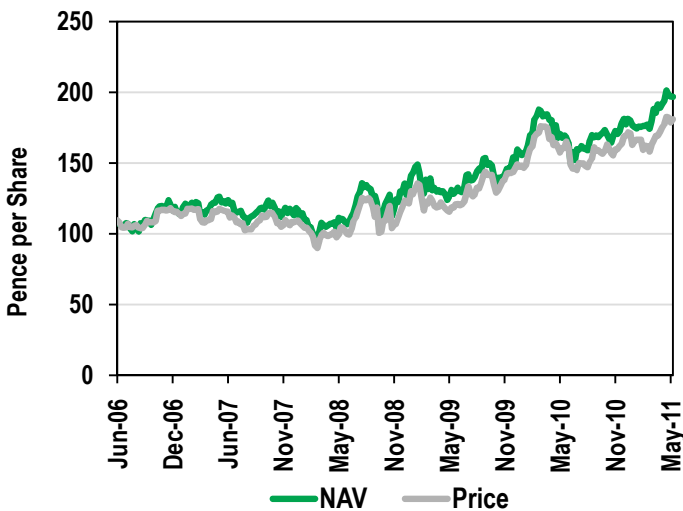
5 Year NAV Relative Performance



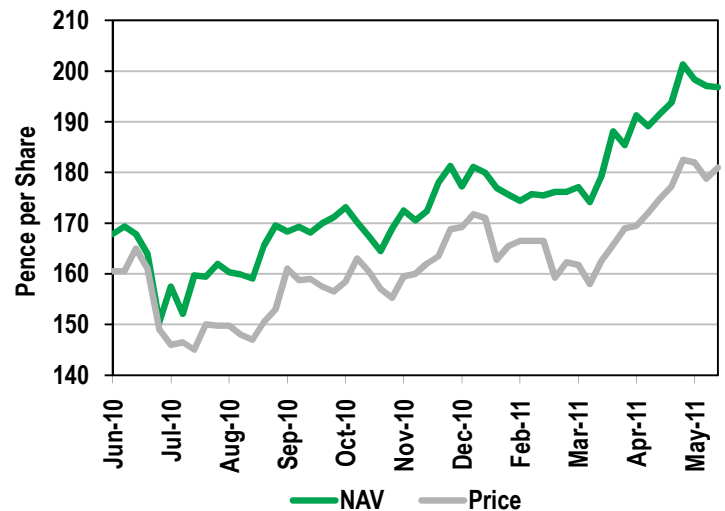
1 Year NAV Relative Performance



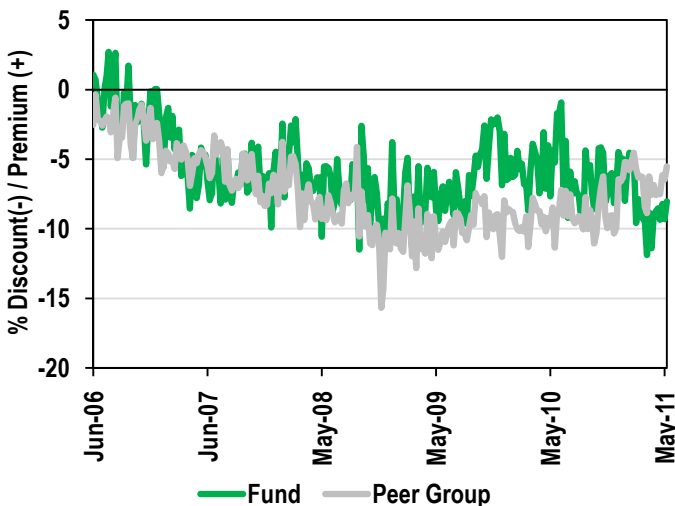
5 Year Absolute NAV & Price Performance



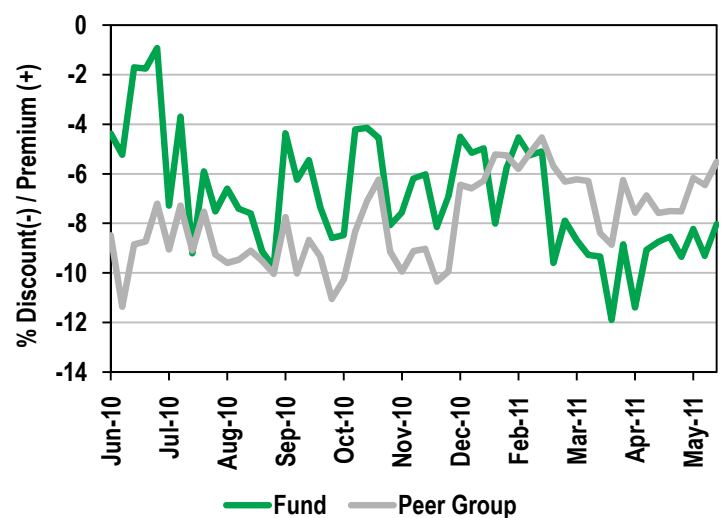
1 Year Absolute NAV & Price Performance



5 Year Discount History with Peer Group



1 Year Discount History with Peer Group



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