

# Investing in Biotechnology for a Healthier Future

High Growth Sector / Competitive Dividend Yield

Presentation

March 2021

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# Agenda

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1. International Biotechnology Trust
2. Fundamental sector drivers
3. Current themes
4. Positioning for the year ahead
5. Summary

# Trust overview

## Six key attributes of our Trust



### Strong fundamentals

Driven by strong fundamentals of the Biotech sector



### Diversified portfolio

Access to a broad spectrum of quoted and unquoted investments



### Growth and yield

Provides investors exposure to both growth and a competitive yield



### Investment strategy

Bottom up stock selection with diversification overlay



### Expert team

Medically and financially experienced Fund Managers with access to specialists at SV Health



### Innovation

Invested in some of the most innovative companies in the world



# Management team from SV Health Investors

Medical and financial expertise with over 75 years combined experience



**Dr Carl Harald Janson**  
Lead Investment Manager, CEFA,  
PhD, Medical Doctor

20 years healthcare investing, 7 years pharma industry experience - including Danske, H&Q, KD, Astra and Carnegie, where he managed the Carnegie Biotechnology Fund. During his time as manager at Carnegie, he was recognised by Bloomberg as the world's top performing Biotech fund manager.



**Ailsa Craig**  
Investment Manager, BSc

11 years healthcare investing, 3 years as an analyst. Previously, at Baring Asset Management as a research analyst and Insight Investment / Rothschild Asset Management (merged 2003) within the Global/US investment team.



**Marek Poszepczynski**  
Investment Manager, MSc

17 years of international experience in the life sciences industry with a focus on licensing and financing. Marek has held management positions at several biotechnology companies and participated in two initial public offerings and several licensing deals.



**Kate Bingham**  
Investment Manager, MBA

28 years healthcare investing at SV where she is Managing Partner. Her biotech investments have resulted in the launch of six drugs and Kate serves or has served on the boards of companies in the UK, US, Ireland, Sweden and Germany.

In 2020, Kate spent six months as Chair of the UK Vaccine Task Force, reporting to the Prime Minister.

# SV Health Managers LLP - The Trust's Investment Manager

The Trust's investment team can draw on the wider expertise of SV Health Investors



A leading healthcare investment manager

Diversified global life sciences franchise started in 1993

Talented team of over 50 experienced investment professionals and healthcare industry veterans based in Boston and London

Managed or advised International Biotechnology Trust since 2001

USD 3.4bn

committed capital

as at 30 Sept 2020

Biotechnology

Dementia

USD 2.5bn

AUM as at 30 Sept 2020

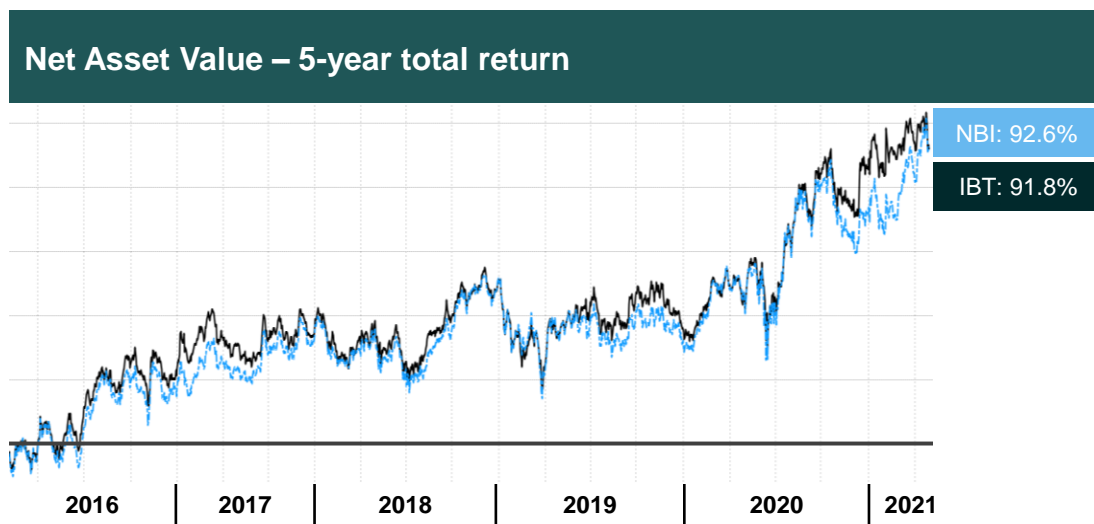
Healthcare growth

Medtech

# IBT's performance

Trust has delivered annualised NAV total returns of 16% since Sept 2013\*

Total return to 31 Jan 2021	1yr (%)	3yr (%)	5yr (%)
IBT NAV per share	35.2	44.2	91.8
IBT Share Price	46.7	51.0	129.4
NBI (benchmark)	37.0	48.2	92.6
FTSE All-Share	-7.5	-1.6	31.5



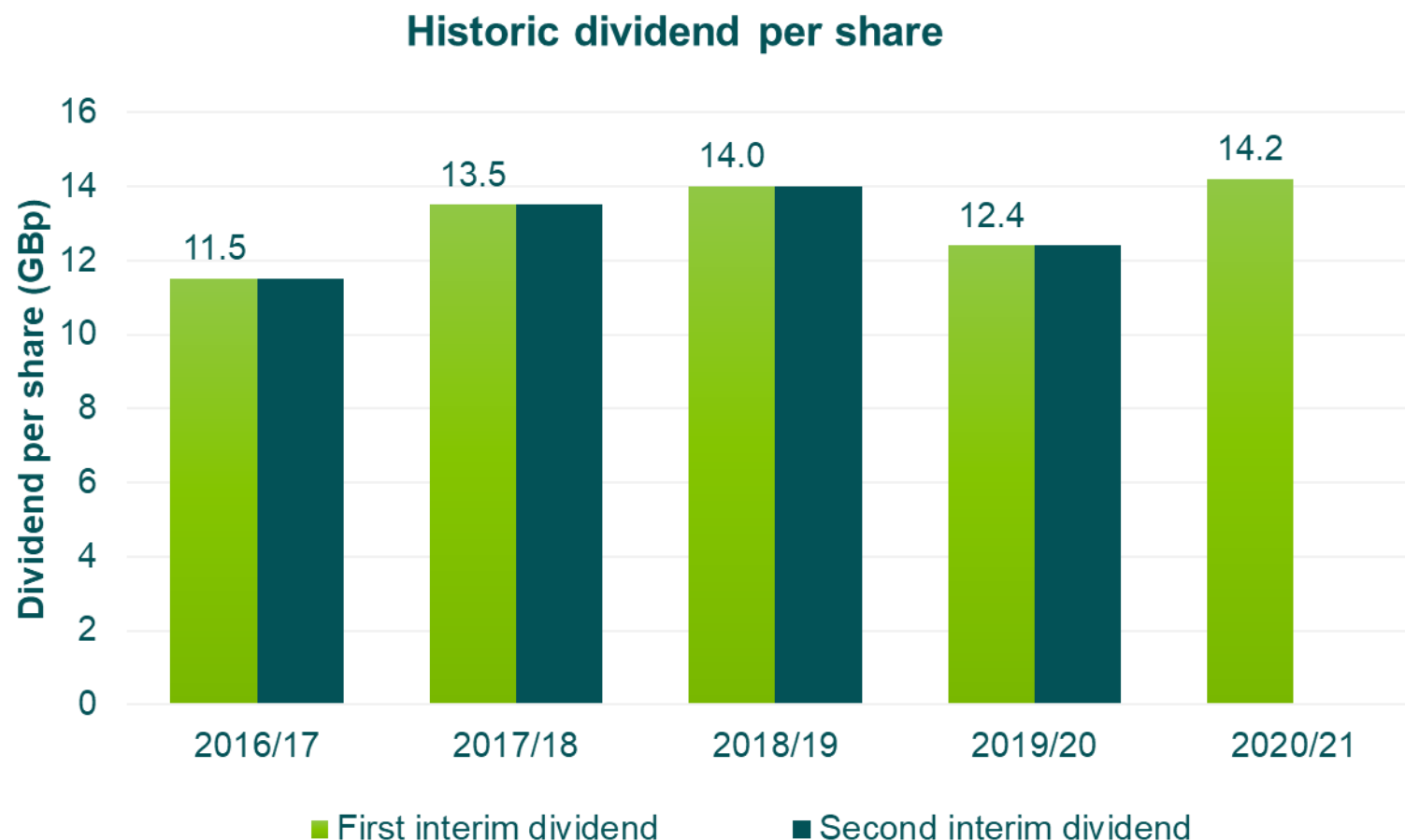
Unquoted Portfolio As at 31 Jan 2021	# stocks	NAV (£m)	NAV (%)
SV Fund VI	25*	27.4	8.5%
<b>Total unquoted portfolio</b>	<b>36</b>	<b>41.1</b>	<b>12.8%</b>

\* Includes 5 quoted investments

Volatility analysis 5 yrs to 31 Dec 2020	Cumulative Return	Beta (to NBI)
IBT NAV	59.0%	0.9
IBT Share Price	82.4%	0.8
NBI	50.5%	1.0

# IBT dividend policy – 4% of NAV\*

Dividend paid from capital is driven by performance of the Trust's NAV



**5.4%**  
Dividend CAGR\*\*

**7.0%**  
NAV CAGR\*\*

**9.7%**  
NBI CAGR\*\*

\*4% of NAV at 31 Aug of previous year end sets dividend for Jan and Aug the following year

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

Past performance is not a guide to future performance Your Capital is at risk.  
Source: SV Health Managers LLP



# Diversified portfolio

IBT's quoted portfolio contains 59 stocks as at 31 Jan 2021

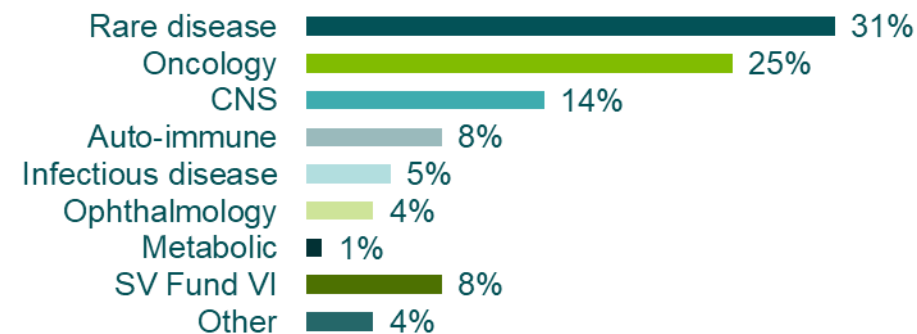
		As at 31 January 2021		
Top 10 quoted	Therapeutics split	Market Cap (\$bn)	% of NAV	Fwd PE
Horizon	Rare diseases	16.0	6.4	13.8
Gilead	Infectious diseases	82.2	5.2	9.9
Vertex	Rare disease	59.6	5.0	17.8
Exelixis	Oncology	6.9	4.5	19.8
PTC Therapeutics	Rare disease	3.9	4.4	n.m.
Regeneron	Ophthalmology	53.8	4.0	12.6
Amgen	Oncology	140.6	3.9	13.3
BioMarin	Rare disease	15.0	3.8	30.0
Acadia	CNS	7.6	3.6	n.m.
Alexion	Rare diseases	33.5	3.4	10.8
<b>TOTAL</b>			<b>44.2</b>	

## IBT Split of NAV as at 31 January 2021

### - by geography



### - by therapeutic area



# Investment process overview

The management team has a rigorous, multi-faceted investment process



## Idea generation

Meetings with management and attendance at conferences



## Monitoring

News flow management and company meetings



## Valuation

Modelling and analysis to identify value opportunities



## Trading discipline

Methodical approach to timing of investments and profit taking



## Risk mitigation

Portfolio construction and reducing exposure to binary events

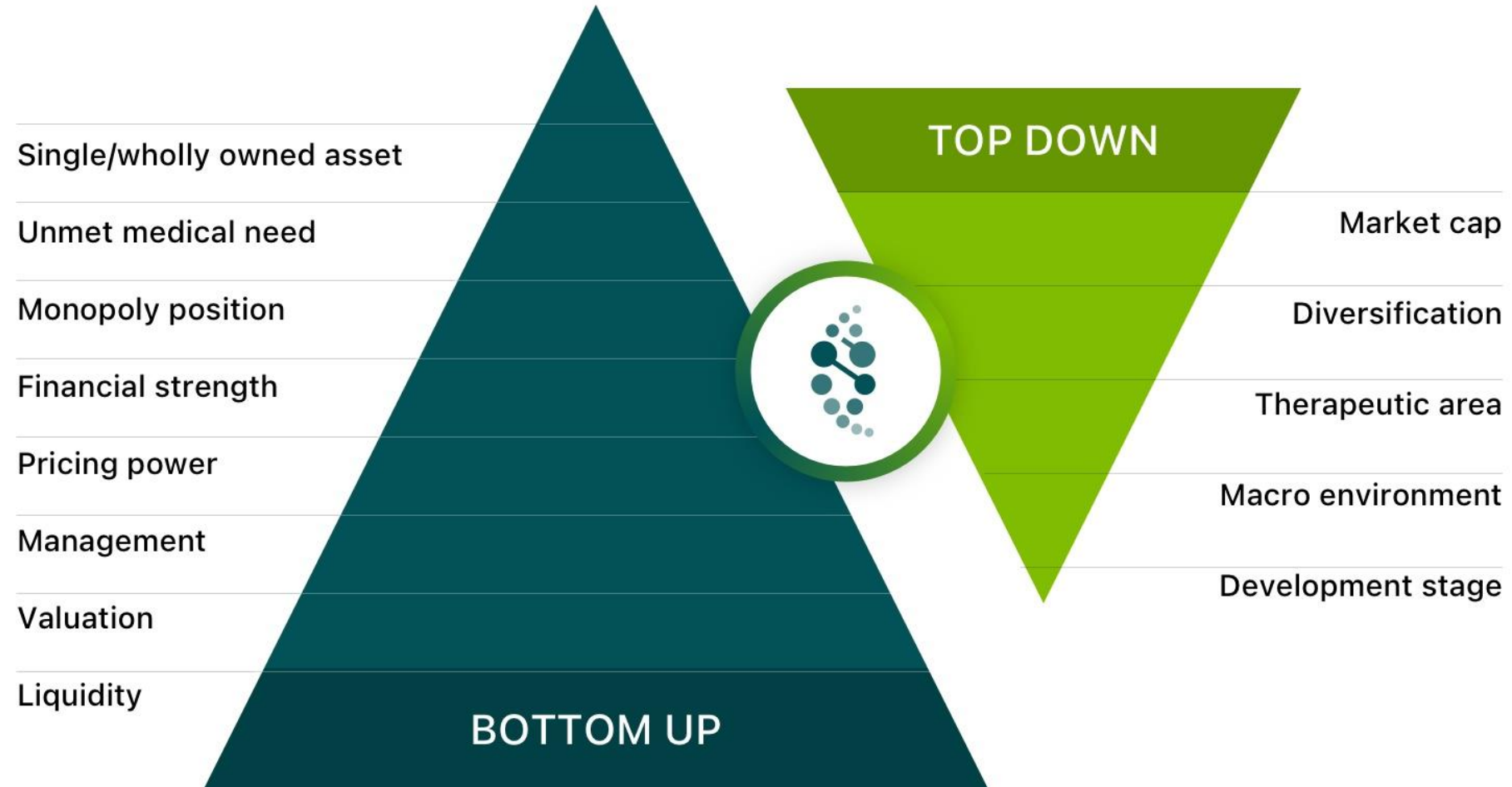


## Cash/ gearing

Analytical approach to gearing based on market volatility

# Investment process - stock selection

Bottom up analysis with top down diversification overlay



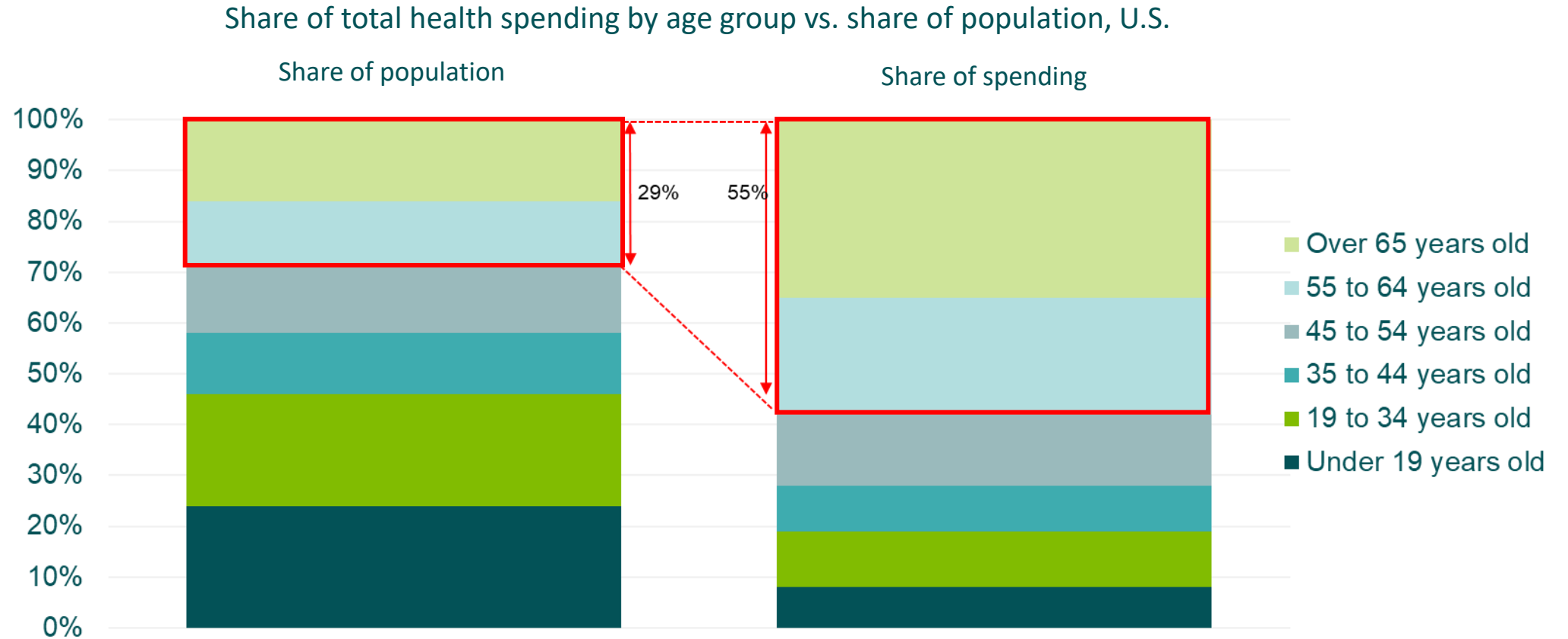
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2. **Fundamental sector drivers**
3. Current themes
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# Fundamental sector drivers - demographics

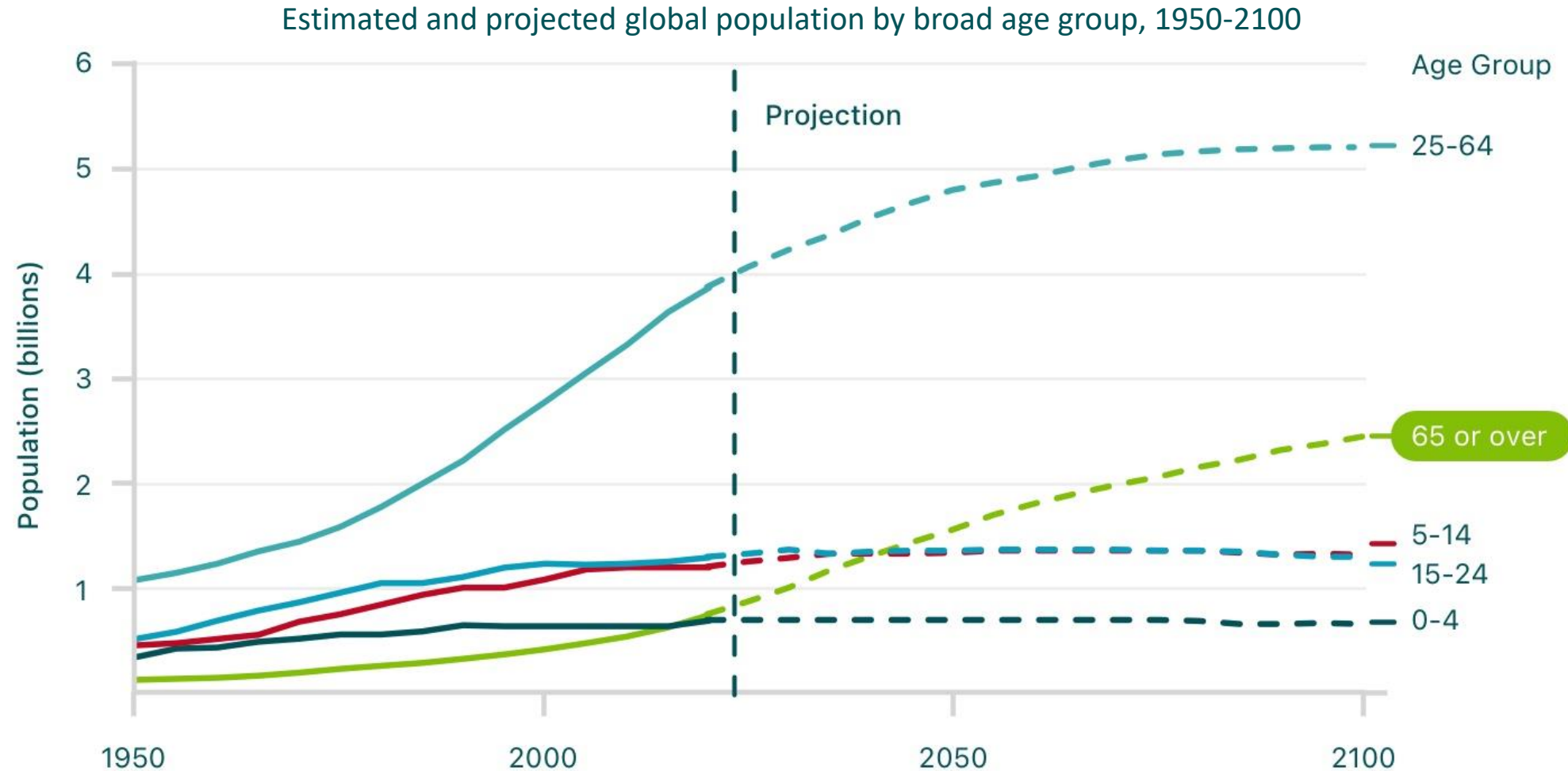
Older people account for disproportionately high healthcare spend and set to double





# Fundamental sector drivers - demographics

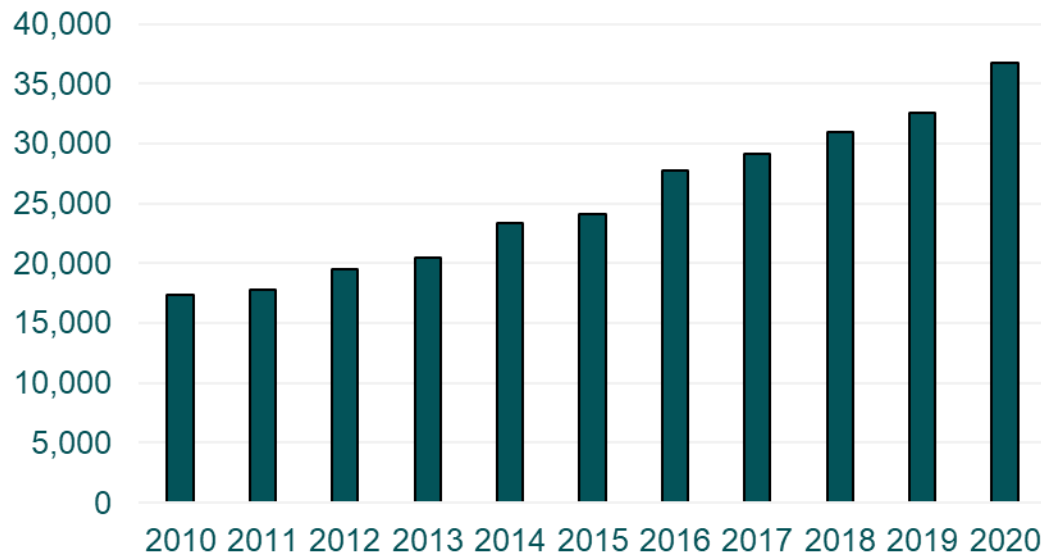
Over 65s growing fast and set to double



# Fundamental sector drivers – innovation

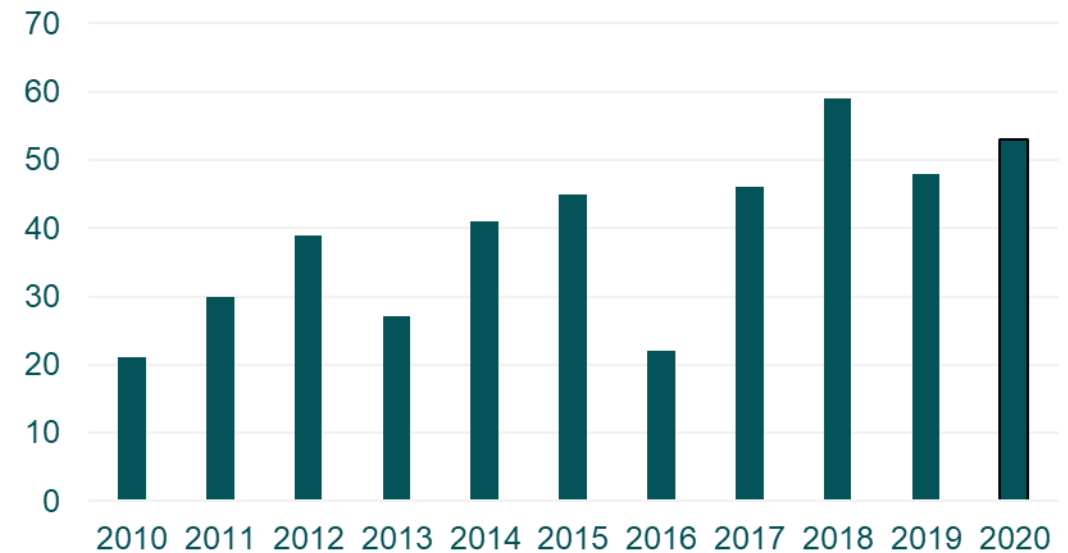
## Acceleration of innovation with supportive regulatory backdrop

Number of drugs in development as measured by number of ongoing clinical studies



Source: New clinical studies disclosed per year on [clinicaltrials.gov](https://clinicaltrials.gov)

Novel drug approvals by U.S. FDA

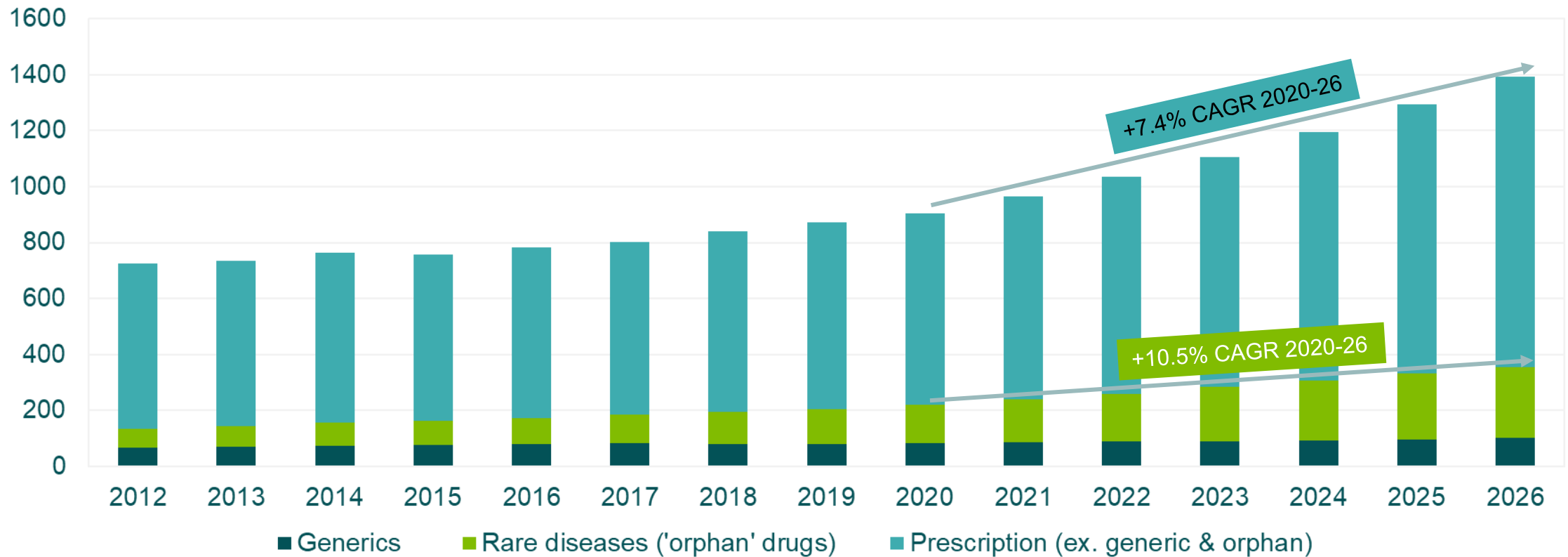


Source: U.S. Food and Drug Administration (FDA)

# Drug sales projections

Strong anticipated sales growth, especially in orphan drugs

Worldwide total prescription drug sales (2012-2026)




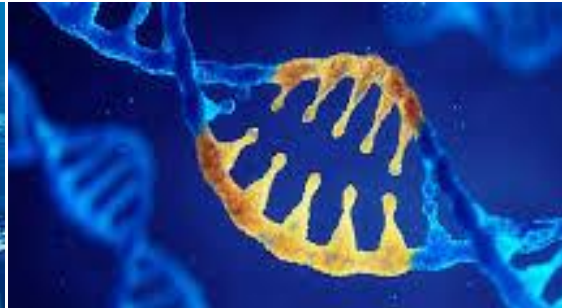
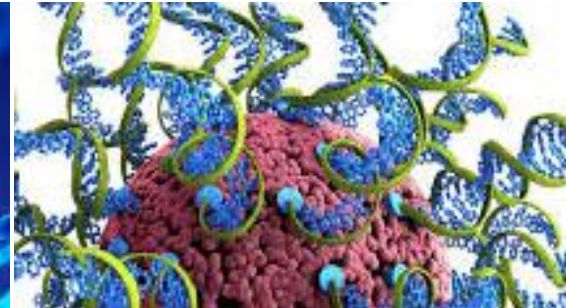
















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# Current themes – new treatment modalities

The Trust invests in some of the most innovative companies in the biotech sector

Cell based therapies	Gene therapies	RNA therapies	Gene editing
The transfer of intact, live cells into a patient	Offsetting the effect of a genetic mutation by inserting a healthy version of the gene	Modification or provision of ribonucleic acid (RNA) to patients' cells using messenger RNA (mRNA)	A type of genetic engineering in which a mutated gene is revised, removed or replaced
			
 	     	 	
	   		
			



## Current theme – US political backdrop

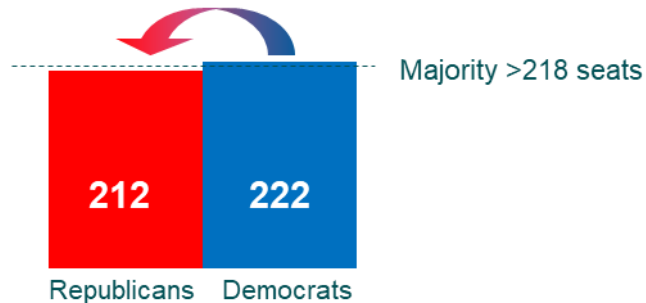
Razor thin majority means that major legislation will be tough to pass



51% of votes cast  
*The highest number of votes ever*

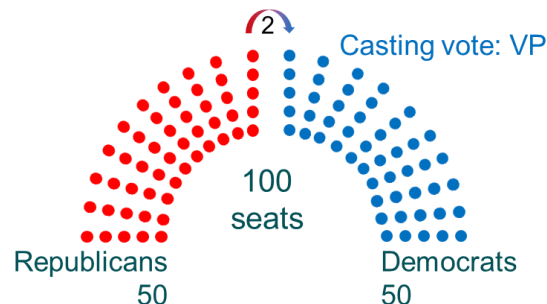
President

47% of votes cast  
*The second highest number of votes ever*



Democratic majority **reduced** from  
35 to 10 seats  
Only 4 seats over an absolute majority

House










2 seat shift to Democrats  
VP has deciding vote  
60 seats needed to block filibustering

Senate

# Potential Biden Healthcare Proposals

Headline risks remain but significant changes are unlikely

Proposal	Likelihood of adoption	Impact on biotech sector
Covid-19 relief package	High	
Increase premium tax credits for families	High	
Limit drug launch prices and price increases	Low – Moderate	
Add public exchange purchase option like Medicare	Low	
Allow negotiation of Medicare drug prices	Low	
Allow drug importation	Low	
Approval of Most-Favoured Nation drug pricing	Low	

Impact  
Low High



# Portfolio positioning under the new administration

Certain types of companies are more likely to be affected by regulatory change

- Continue to favour

Innovative  
companies

Unmet medical  
need

Patent  
protection

Wholly owned  
product

Monopoly  
position

De-risked  
assets

- Continue to avoid

Generics

Established low growth  
drugs

Major patent cliffs

Me-too drugs

# Current theme - COVID-19

Sector driving the solution and showing resilience to market turmoil



## Identification

Quick RNA analysis played key role and will assist with new mutations



## Co-operation

Global co-operation among companies and Governments



## Treatments

Thousands of clinical trials underway and several approved eg Remdesivir from Gilead



## Vaccines

9 vaccines approved worldwide with 5 different modalities  
Those vaccinated will avoid virus or have less severe symptoms



## Market outlook

Biotech companies recognised as being part of the pandemic solution. Some impact on other trials and manufacturing. Response to mutations will be key

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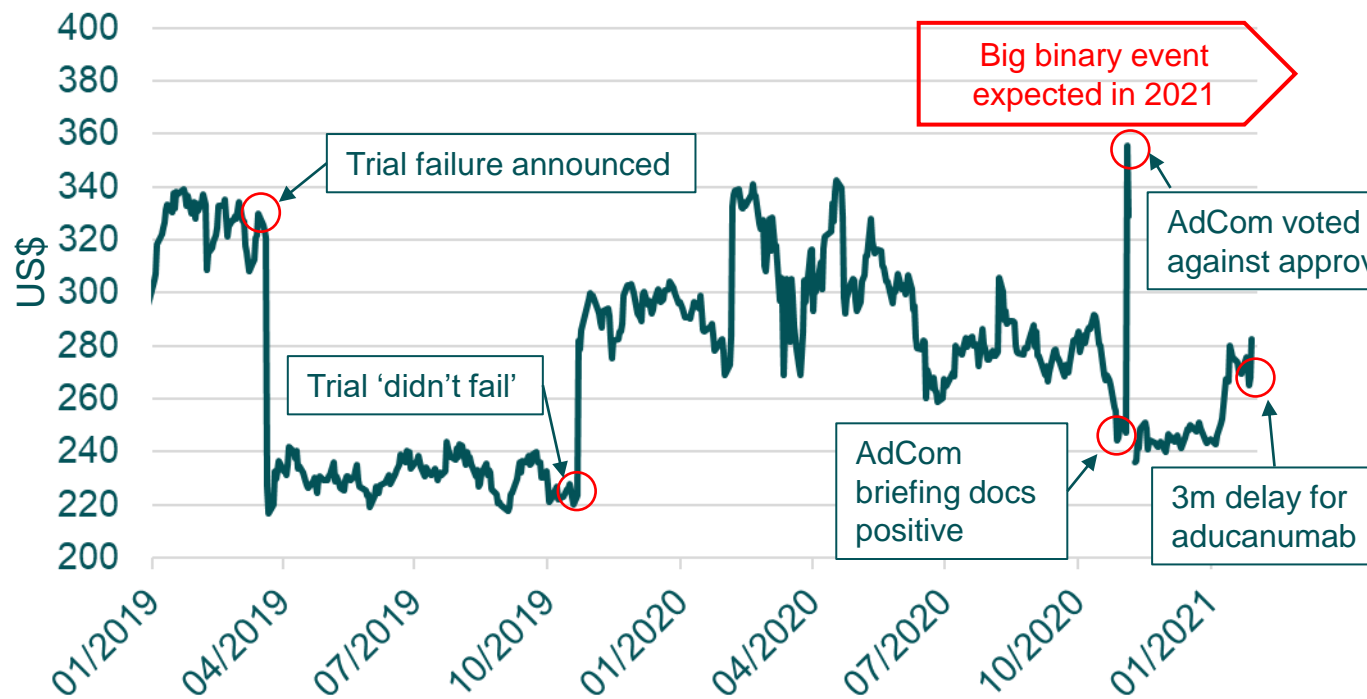
# Upcoming major sector events

Seek to reduce Trust's volatility vs major sector events

Forthcoming sector events include:

- **Biogen** – major market event expected in 2021 with aducanumab

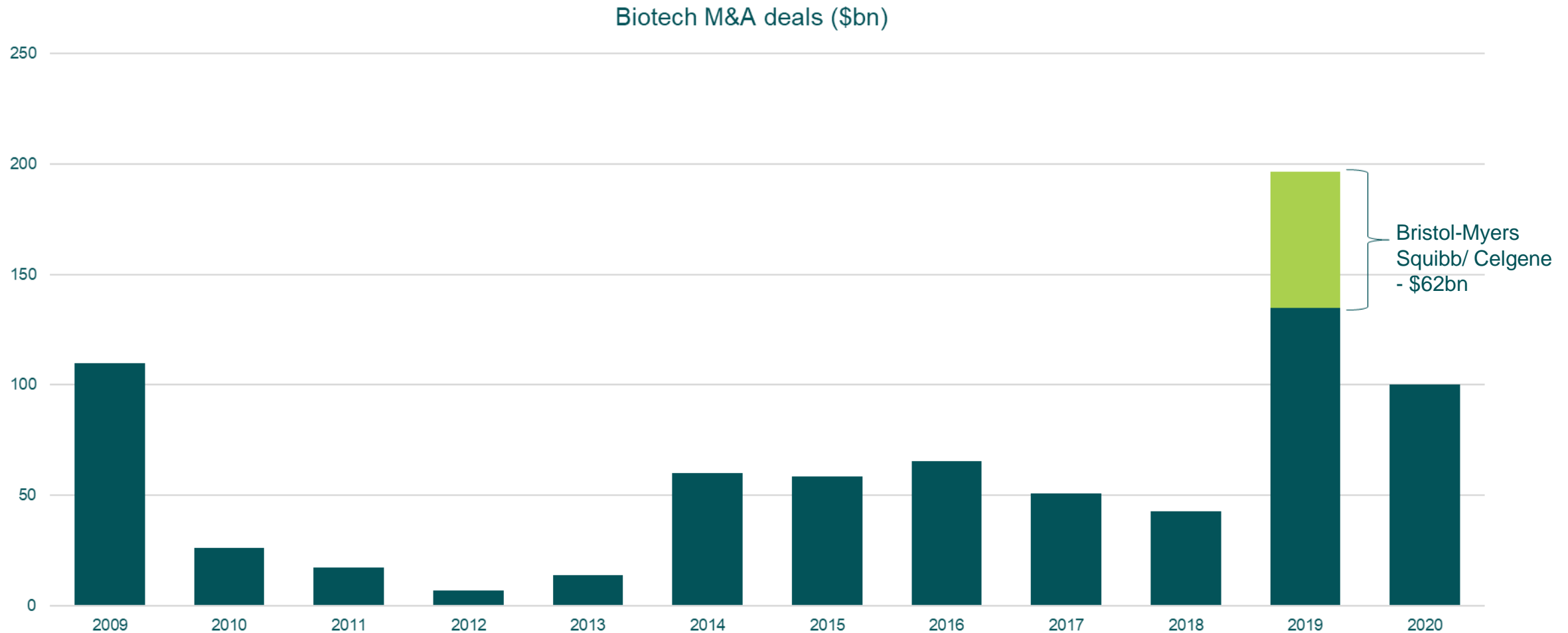
Biogen - 3yr share price



- **Gilead and Immunomedics** - data in Breast Cancer
- **Amgen and Mirati** - KRAS12C in Lung Cancer (Highly anticipated approvals/filings/data)
- **Acadia** - PDUFA date in Dementia Related Psychosis (March)
- **Biomarin** - 2year data in Haemophilia A gene therapy
- **Crispr** - First set of data in gene editing

# M&A - a major theme of the biotech industry

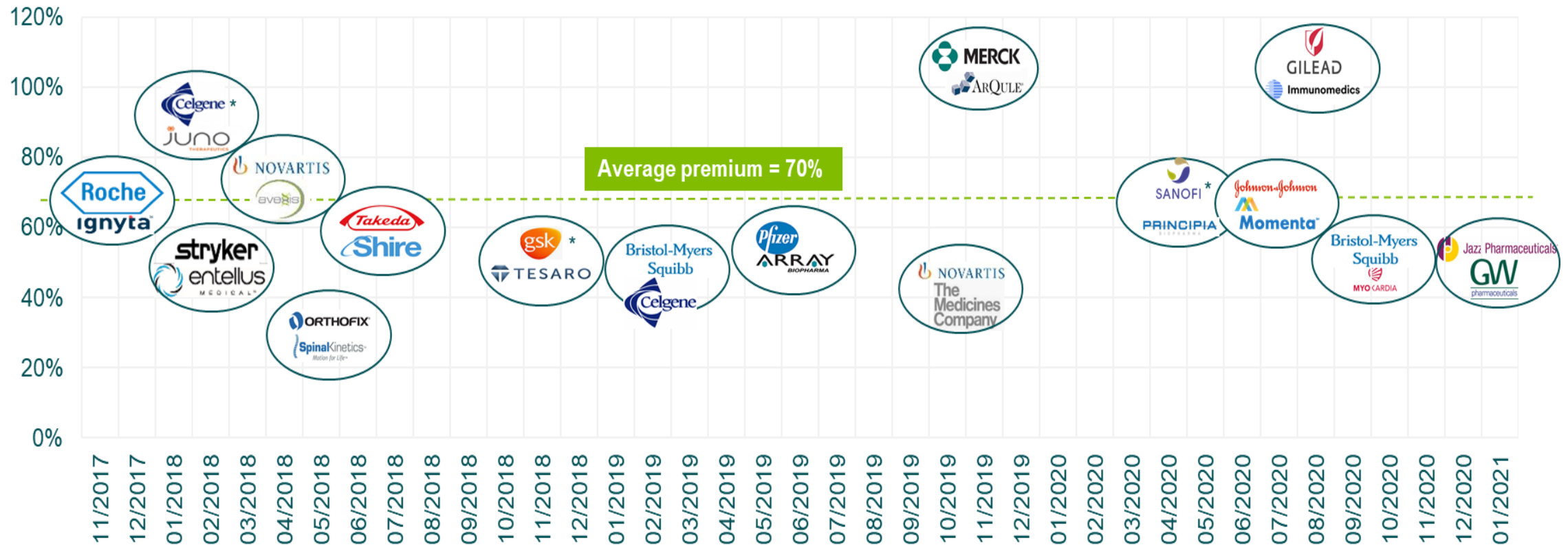
M&A likely to resurge after bottleneck of COVID. IBT well positioned to benefit



# M&A – a major theme of the biotech industry

M&A has historically played an important role in IBT's portfolio

M&A activity among IBT's portfolio companies since Nov 2017\*



# Positioning for the year ahead

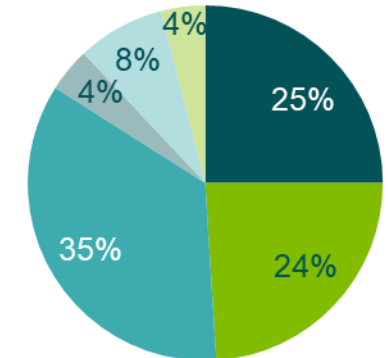
## Major market theme – valuation

- Frothy early-stage valuations especially among recent IPOs
- Valuation focussed stockpicking
  - Cautious approach to early-stage companies, esp those without clinical data
  - Focus on later stage innovation and sales growth companies, often M&A targets
  - Large caps have solid fundamentals but not appreciated to the same extent as rest of the sector – could also be considered potential M&A targets

### IBT portfolio

NAV% by Size as at 31 Jan 2021

- X.Large Cap > USD 30bn
- Large Cap USD 10bn - USD 30bn
- Mid cap USD 2bn - USD 10bn
- Small Cap < USD 2bn
- SV Fund VI
- Directly-held unquoted



# Positioning for the year ahead

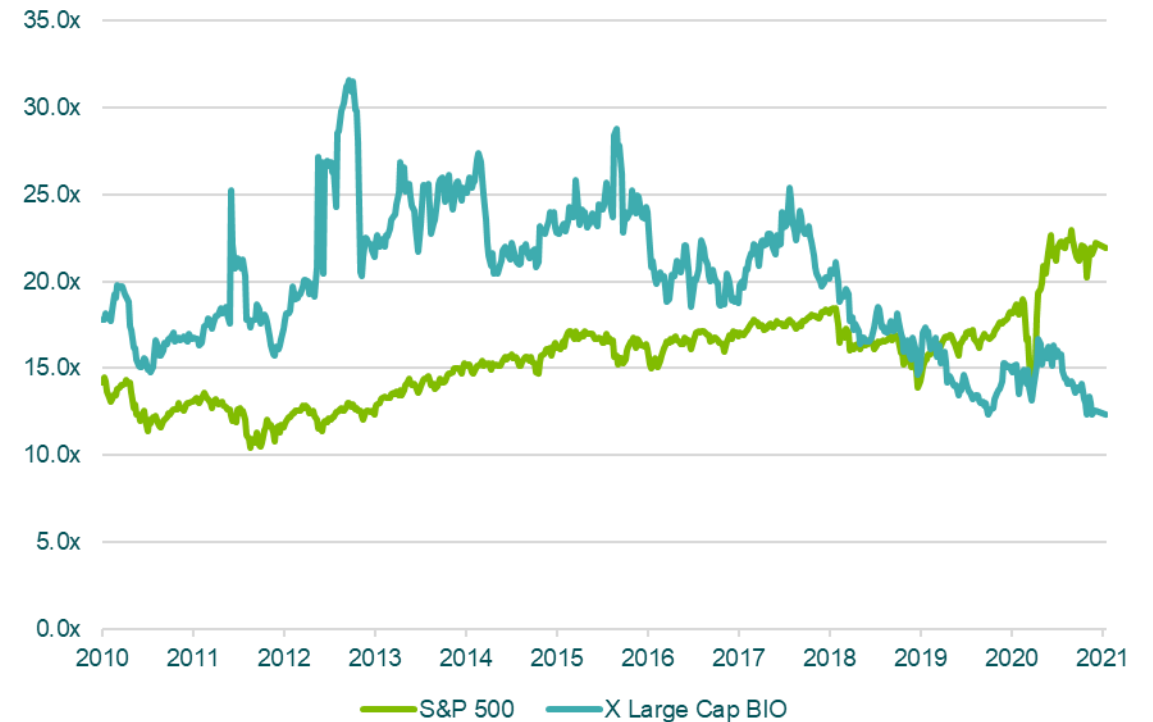
## Major market theme – valuation

NBI, XBI and SPX price – 1 year to 31 Jan 2021\*



\* Normalised as of 31 Dec 2020  
Source: Bloomberg

Forward PE multiple – 10 years



Source: Evercore ISI (X Large Cap Bio = GILD AMGN CELG BIIB ALXN  
REGN + GENZ DNA MEDI IMNX before acquisition)





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# Summary

Diversified portfolio - rigorous investment process - focus on risk mitigation - experienced team

Portfolio construction	Investment process	Team
		
Bottom up approach	Disciplined and systematic	Expertise
Diversification	Proactive	Experience/ track record
Medical need	Direct company contact	Part of the SV Health Investors team
Pricing power	Valuation driven	Motivated
Venture fund	Event forecasting	Dedicated

# Key facts

Details	
<b>Website</b>	www.ibtplc.com
<b>Net assets (Cum)</b>	GBP 322M (as at 31 January 2021)
<b>Listing</b>	London Stock Exchange
<b>Dividend</b>	Annual dividend of 4% of net asset value at August year end, and paid semi-annually
<b>Ex-div date</b>	July 2021
<b>Daily volume</b>	62k shares (Source: Bloomberg)
<b>Sedol</b>	0455934 GB
<b>ISIN</b>	GB0004559349
<b>Ticker</b>	IBT LN / IBT.L
<b>Management fee</b>	0.9% of NAV of the whole Trust. The Trust pays the standard fee on its investment in SVF6 but the management fee borne by IBT investors is 0.9% of the whole trust's NAV. See page 31 of the Annual Report 31 August 2020 for more information on fees.
<b>Incentive fee</b>	The fee on the quoted pool is 10% of relative outperformance above the pound Sterling-adjusted NBI plus a 0.5% hurdle. The fee on the unquoted pool remains 20% of net realised gains, taking into account any unrealised losses but not unrealised gains. See page 31 of the Annual Report 31 August 2020.
<b>Inception date</b>	6 May 1994
<b>Year / Interim end</b>	31 Aug / 29 Feb
<b>Broker</b>	Numis Securities
<b>Auditors</b>	PriceWaterhouseCoopers
<b>Continuation vote</b>	At AGM in 2021; every two years
<b>Capital structure</b>	40,317,817 Ordinary Shares of 25p (as at 31 January 2021)
<b>Leverage facility</b>	Revolving bank facility of up to GBP 55M (interest rate 1.75% above relevant base rate)
<b>Currency</b>	The Trust does not currently hedge its currency exposure. Investors are therefore exposed to the fact that >85% of the portfolio is invested in USD stocks.