The Biotech Growth Trust

Encouraging recent performance

Investment companies
Biotech equities

The Biotech Growth Trust (BIOG) is managed Geoff Hsu and Josh Golomb at leading global healthcare specialist OrbiMed. The trust provides access to the rapidly evolving biotech sector, seeking long-term capital appreciation by investing in high-quality biotech stocks across the market cap spectrum, with a bias towards smaller, emerging biotech companies. Since Q121, the trust has faced significant performance headwinds in what has been the industry's largest and most prolonged drawdown. However, the managers remain confident that a stark disconnect exists between current valuations and the favourable fundamentals of the biotech sector. With industry innovation at an all-time high, a generally supportive regulatory environment and major pharma companies looking to bolster their pipelines ahead of a major patent cliff, which should spur M&A activity, now may be an opportune time for investors to consider the biotech sector.

BIOG AGM presentation (July 2025)

Source: BIOG

Why consider BIOG?

OrbiMed boasts a leading healthcare team with deep technical and industry expertise. It has access to investment opportunities across international markets, as well as integrated venture capital capabilities, which enhances deal sourcing and provides early insights into promising emerging biotech companies. While BIOG can invest across the market cap spectrum, it favours smaller, emerging biotech companies, which, while riskier, can offer higher rewards.

Despite performance headwinds that started in Q121, BIOG's recent relative performance has been encouraging. Over the last six months, the trust has outpaced the performance of its benchmark; if this continues, BIOG could be afforded a narrower discount.

Hsu and Golomb believe the disconnect between current biotech valuations and industry fundamentals are unjustified. They highlight that ageing populations are creating increased demand for innovative new medicines, and argue that we are in a golden era of innovation with breakthroughs across multiple disease areas. Also, with pharma companies looking to replenish their pipelines ahead of a major patent cliff, along with the pressure of drug price reform, M&A activity is expected to accelerate. Despite political uncertainties, the overall regulatory environment is considered to be a net positive, with the Trump administration ultimately looking to expedite the drug development process. Overall, Hsu and Golomb remain confident that the biotech sector is well-positioned for sustained future growth.

5 September 2025

Price		**912.00p**
Market cap		**£218m**
Total assets		**£264m**
NAV		1,020.5p

[1]NAV at 3 September 2025.

Discount to NAV		10.6%
Current yield		0.0%
Shares in issue		23.8m
Code/ISIN		BIOG/GB0000385517
Primary exchange		LSE
AIC sector		Biotechnology & Healthcare
Financial year end		31 March
52-week high/low	1,060.0p	620.0p
NAV high/low	1,150.0p	696.6p
Net gearing		8.6%

[1]Net gearing at 31 July 2025.

Fund objective

The Biotech Growth Trust seeks capital appreciation through investing in the worldwide biotechnology industry. Performance is measured against its benchmark index, the NASDAQ Biotechnology Index (sterling adjusted).

Bull points

- The biotech sector has delivered above-average returns for shareholders over the long term.
- Positive industry fundamentals and valuations, but the sector has been out of favour with investors.
- OrbiMed is a global leader in healthcare research and investment, with c $17bn of assets under management.

Bear points

- The focus on emerging biotech stocks was detrimental to performance during the latest sector drawdown.
- Biotech stocks can be volatile.
- Periodic political pressure.

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BIOG: Managers remain confident the performance gap will close

BIOG has a structural bias towards emerging (smaller-cap) biotech stocks, as the managers believe that these companies have more favourable risk/reward profiles within the sector. Although small-cap biotech stocks have underperformed relative to their larger-cap peers, BIOG's managers remain confident that this performance gap is due to close.

Recent developments

On 19 August, BIOG received court approval of a capital reduction, whereby its share premium account and capital redemption reserve will be transferred to a distributable reserve. This will provide the company with a significant additional pool of reserves to fund share buybacks or other capital return to shareholders.

The trust has a five-year continuation vote; the last was held at the July 2025 AGM where the resolution was passed by a majority (76.7% voted in favour). However, this was much lower than in July 2020, when 99.9% voted in favour of the company's continuation. Under AIC best practice rules, when 20% or more of votes go against a board's recommendation, it must explain what actions it intends to take to consult shareholders to understand the reason for the result. BIOG's board announced that given the trust's volatile performance in FY25 and the 2025 continuation vote was passed, it will propose a one-off, interim continuation vote at the 2028 AGM, which is two years before the next scheduled regular vote. This will allow shareholders an earlier opportunity to reassess the trust's progress.

Performance of the biotech sector

Exhibit 1 shows a breakdown of how the market cap performance divergence in biotech stocks negatively affected BIOG's performance in FY25 (ending 31 March). In line with the managers' strategy, the trust began the year with a notably underweight position in large-cap stocks, relative to the benchmark. During FY25, as small- and mid-cap stocks underperformed relative to large-cap stocks, this presented a significant headwind to BIOG's relative performance. The performance divergence between large- and small-cap biotech stocks across a relatively short 12-month period is stark, with small-cap stocks trailing by 14.2pp. Hsu and Golomb attribute one reason for this divergence being smaller-cap companies tend to be at the pre-revenue stage, while larger-cap companies are more typically revenue generating. Research from Morgan Stanley suggests that, across the board, pre-revenue companies underperformed their more mature commercial peers during BIOG's FY25.

Exhibit 1: BIOG's breakdown by market cap and NBI* performance (FY25)

% unless stated	BIOG (end Mar 25)	NBI (end Mar 25)	Delta (pp)	BIOG (end Mar 24)	NBI (end Mar 24)	Delta (pp)	NBI performance
Large cap (>$10bn)	37	65	(29)	32	64	(33)	(2.3)
Mid cap ($2–10bn)	37	23	14	33	24	9	(9.2)
Small cap (<$2bn)	28	12	16	42	12	30	(16.5)

Source: BIOG. Note: Numbers subject to rounding. *NBI is NASDAQ Biotech Index. BIOG's NAV excludes unlisted holdings.

Despite the biotech market cap performance divergence, the managers remain confident that this gap will close, given that emerging biotech companies continue to be innovation originators, and their valuations remain attractive. They note that small-cap performance is not unique to the biotech sector. From the end of March 2021 to the end of June 2025, the S&P 500 delivered a sizeable 67.5% return, while the US 2000 SMID-cap index only delivered a 4.5% return, highlighting the broad-based underperformance of small-cap stocks. Notably, during this period, the US 2000 small-cap biotech index fell by -47.1%, representing a c 115pp underperformance relative to the S&P 500.

Hsu and Golomb believe this relative performance is unjustified, given the strong fundamentals of the biotech sector, noting that the divergence is unprecedented in both severity and duration. They highlight that biotech valuations during the latest drawdown reached record lows, with c 100 biotech companies (c 20–25% of the biotech universe) trading below the levels of net cash on their balance sheets. Hence, they expect an improvement in the relative performance of the biotech sector and, within that, smaller-cap companies in particular.

Favourable biotech fundamentals prevail

The central message that Hsu and Golomb wish to continue to convey is that the current performance gap between the biotech sector and the broader market is not justified, and represents a stark disconnect from current favourable biotech industry fundamentals. They highlight that innovation remains the key driver of value creation in the sector, and reference several important biotech breakthroughs between the last two May AGMs to reflect this. Notably, ivonescimab, a novel first-in-class PD1/VEGF bispecific antibody candidate, is being developed for non-small cell lung cancer by Akeso Biopharma (a Chinese biotech in which BIOG holds a position) and Summit Therapeutics (a US-based company, partnered with Akeso for this programme). In a recent Phase III trial (HARMONI-2) ivonescimab achieved a 49% reduction in disease progression relative to the current standard of care, Keytruda (Merck's blockbuster drug that generated $29.5bn in sales in 2024). If approved, ivonescimab is expected to become a mega-blockbuster drug. Another important breakthrough is Gilead's lenacapavir, which was recently approved for pre-exposure prevention of HIV. This is an injectable medicine to be taken every six months, which was shown in trials to prevent >99.9% of HIV infections, even when engaging in high-risk behaviour.

Hsu and Golomb also highlight some US Food and Drug Administration (FDA) approvals for biotech products that represent a series of important 'firsts', in terms of disease treatment, new technologies, or mechanisms of action. These range from being for smaller indications (such as congenital adrenal hyperplasia) through to more prevalent indications (such as moderate to severe acute pain). Collectively, this showcases the high levels of innovation within the biotech sector, and its potential value creation.

From a more top-level perspective, Hsu and Golomb identify oncology as a broader disease area that they believe is primed for further future innovations, with ageing populations being a key reason for high demand for new breakthrough therapies. Oncology continues to be the largest therapeutic area in the healthcare space, representing a c 25% share of the entire treatment market. According to Evaluate Pharma, sales in this subsector are projected to reach c $360bn by 2030, a $172bn increase from 2023. While, historically, cancer treatments were limited to surgery, radiation and chemotherapy approaches, innovative new technologies now include:

- Cell and gene therapies, which offer the potential for more durable effects compared to chemotherapy.
- Antibody-drug conjugates, which involve loading antibodies with chemotherapeutic agents for more specific targeting.
- Bispecific antibodies, which can bind to two different therapeutic targets.
- Targeted therapies, which are designed for specific genetic mutations.
- Radiopharmaceuticals, which use more targeted radiation compared with historical radiation usage.
- Cancer vaccines, which are a type of immunotherapy harnessing the natural cancer-attacking abilities of our immune systems.

Collectively, these new technologies, primarily developed by biotech companies, have the potential to provide improved outcomes for cancer patients. Each of these approaches has shown promise in successful clinical trials and five out of six have products approved and on the market. The managers maintain their favourable outlook on the oncology subsector, and believe that as technologies continue to advance, cancer will shift to the 'chronic disease' category as more curative treatment options are developed over the coming decades. They believe that these advancements will also be driven by novel screening technologies and molecular diagnostics, individual patient genetic sequencing and more personalised drug treatment approaches. Cell and gene therapies in particular represent a significant area of interest, and while there are currently only around 30 approved by the FDA (excluding blood products), Hsu and Golomb expect this could increase by 10x over the next 30 years, as safety and efficacy profiles of these types of products are set to improve.

Biotech innovations are well represented in BIOG's portfolio, including antibody-drug conjugates (14.0% of NAV); gene therapies and gene editing (18.7%); cell therapies (2.3%); multispecific antibodies and T-cell engagers (13.1%); and oligonucleotide therapeutics (14.1%). We note that there is some overlap of NAV exposure between these novel technologies.

The regulatory environment presents both headwinds and tailwinds

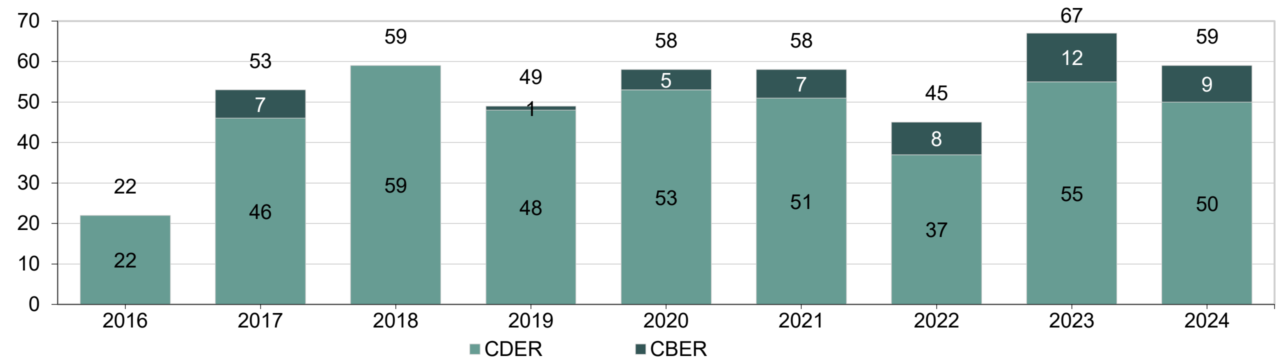
The managers maintain a net positive view on the regulatory environment, commenting that the FDA remains constructive, wanting to accelerate the development of new medicines. Within the FDA, there are different departments for drug and biologics approvals: the Center for Drug Evaluation and Research (CDER) and the Center for Biologics Evaluation and Research (CBER) respectively. Encouragingly, there have been c 450 FDA approvals in the last eight years, with the rate of approvals beginning to increase from 2017, from the start of President Trump's first term in office. As shown in Exhibit 2, the number of new annual approvals has remained at an elevated level, and Hsu and Golomb expect this to extend through Trump's second term.

While the managers acknowledge that political headlines have been a headwind for the sector, they believe that the positives outweigh the uncertainties. Uncertainties include the appointment of Robert F Kennedy Jnr as head of the US Department of Health and Human Services (HSS), as he is a vaccine sceptic, although he has toned down his rhetoric. FDA commissioner Martin Makary is expected to continue the trend of a high number of new drug approvals. Although there has been a focus on cost reduction, FDA drug reviewers are paid for by pharma company Prescription Drug User Fee Act (PDUFA) fees, and there is no intention to cut drug reviewers. Interest rates could stay higher for longer, as although Trump wants lower 10-year bond yields, his tariff policy is likely to be inflationary. However, we note that tariffs are more likely to affect commercial-stage pharmaceutical companies, rather than biotech companies.

The regulatory backdrop has been clouded in recent months by leadership turbulence at the US's health-related administrations. Notably, Dr Peter Marks was forced out of his role as CBER director in March 2025, having publicly cited lack of scientific transparency and concerns about politicisation of the agency. Dr Vinay Prasad was appointed in mid-2025 following the departure of Marks, but he resigned abruptly after less than three months in the post amid controversy over gene-therapy regulation. He was later reinstated by HHS leadership, adding uncertainty to the policy direction. There has been a wave of CDER resignations this year, suggesting broader internal unrest and staff attrition tied to organisational upheaval. More recently, Dr Susan Monarez (former director at the Centers for Disease Control, CDC), was fired less than a month into the job, apparently due to her failing to back the prevailing vaccine policy. Upon departure, Dr Monarez accused Kennedy Jnr of weaponising public health. Several other senior leaders at the CDC have since resigned, and there has been a complete replacement of a key vaccine committee on immunisation practices. This has implications beyond the US, potentially negatively affecting global health. Collectively, this turbulence has created some additional investor uncertainty over the potential for regulatory delays, albeit with most of the focus on vaccine development, in which biotech companies are typically less involved.

Key positives of President Trump's second term include an overall aim of reduced regulation, and wanting to remove regulatory hurdles and accelerate the drug development process. Inflation Reduction Act Medicare price negotiations are due to start in 2026, but with the Republicans controlling Congress, drug price reform could be amended or repealed and pricing exclusivity for small-molecule drugs could be extended from nine to 13 years. Also, changes in Federal Trade Commission leadership should be positive for M&A as an outgoing commissioner had blocked some proposed transactions. Trump's economic policy is likely to be supportive for the biotech sector, with potential extension of tax cuts or a reduction in corporate tax, as is the administration's generally pro-innovation stance.

Exhibit 2: FDA new molecular entity approvals

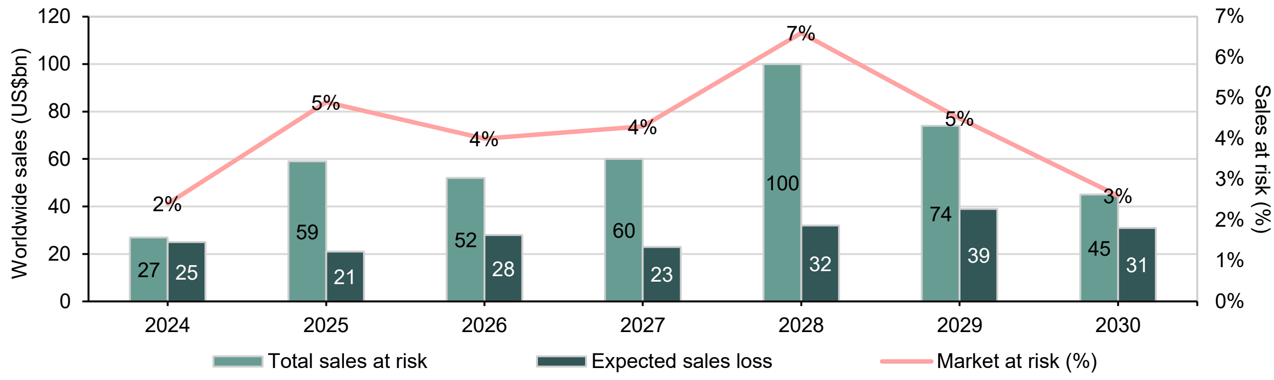


Source: BIOG, Edison Investment Research

Other considerations could create positive momentum for the biotech sector

Looking at biotech company financing, since H224 through H125, there has been a notable rise in M&A transactions, with positive trends in both volume and deal size. Encouragingly, leadership teams of large-cap pharma companies have expressed interest in continued M&A activity. A principal driver of the M&A resurgence is the significant patent cliff affecting major pharma companies , with an estimated around $200bn of branded drug sales at risk from going off patent between 2024 and 2030 (Exhibit 3). As an example, Merck's blockbuster Keytruda will lose its market exclusivity in 2028, which will leave a significant hole in the company's revenue stream. We note that OrbiMed has good access to deals due to its size and expertise within the healthcare industry, and BIOG has held positions in several biotech companies that were acquired, typically at meaningful premiums. Overall, the current biotech landscape could be described as a compelling mix of attractive valuations coupled with increasing demand for new biotech innovations, which may represent an interesting opportunity for new and existing investors.

Exhibit 3: Worldwide sales at risk from patent expiration (data and projections shown from 2024 to 2030)



Source: Edison Investment Research, Evaluate Pharma

The managers' playbook

In line with their investment thesis, Hsu and Golomb will continue to favour emerging, smaller-cap biotech stocks at the cutting edge of medical innovation over larger-cap companies in their search for long-term capital appreciation. In the near term, they are confident in benefiting from the expected relative share price improvement for these less-mature, growth-stage biotech companies, which they describe as sector leaders with first-mover advantages for important future medicines.

The managers believe that emerging biotech stocks should recover from their unprecedented low valuations, which are disconnected from favourable industry fundamentals. If this occurs, there should be significant upside potential for the trust. Hsu and Golomb note that this valuation disconnect is occurring in parallel with a significant patent cliff, so major pharma companies are looking to bolster their pipelines. A resulting increase in M&A activity could provide a significant boost to the biotech sector. The managers consider the political environment to be a net positive, with the biotech sector seen as strategically important by the Trump administration, which should ultimately mean reduced regulatory hurdles for new drug approvals to accelerate the drug development process. Overall, Hsu and Golomb consider that now offers a good opportunity to invest in a highly innovative sector at an attractive low valuation.

Portfolio breakdown

At the end of July 2025, BIOG's top 10 holdings made up 39.0% of the portfolio, which was a modestly lower concentration compared with 41.9% a year earlier. Only one name was common to both periods: Argenx, which is a European company focused on immunology. The portfolio had 69 positions, a small increase versus the 65 positions held 12 months earlier, and the active share increased marginally year-on-year to 70.6% from 66.6% (this is a measure of how the fund compares with its benchmark, with 0% representing full index replication and 100% no commonality).

Exhibit 4: Top 10 holdings (%) at 31 July 2025

Company	Region	Sector	Portfolio weight at 31 July 2025	Portfolio weight at 31 July 2024
Vertex Pharmaceuticals	US	Major biotech	5.3	N/A
Alnylam Pharmaceuticals	US	Emerging biotech	4.8	N/A
Avidity Biosciences	US	Emerging biotech	4.6	N/A
Argenx	Europe	Emerging biotech	4.2	4.8
Zai Lab	China	Emerging biotech	4.1	N/A
CG Oncology	US	Emerging biotech	4.1	N/A
Axsome Therapeutics	US	Emerging biotech	3.3	N/A
Akeso	UK	Emerging biotech	2.9	N/A
Dyne Therapeutics	US	Emerging biotech	2.9	N/A
Agios Pharmaceuticals	US	Emerging biotech	2.8	N/A
Top 10			**39.0**	**41.9**

Source: BIOG, Edison Investment Research. Note: N/A is where not in July 2024 top 10.

Despite a decrease in BIOG's US exposure (-22.5pp) in the 12 months to 31 July 2025, this country still makes up the majority of the portfolio. The 63.0% weighting at 31 July 2025, reflects US dominance within the global biotech sector (Exhibit 5). Notably, the trust increased its exposure to quoted Chinese biotech companies (+17.6pp), driven by recent rapid biotech advancements in this region. The managers note China's 'Made in China 2025' plan, which has seen biotechnology innovation increase dramatically, leading to an increase in China's clinical trial market share. They explain that Chinese companies' R&D capabilities are now on a par with, and in some cases better than, their US peers, hence the increased allocation to China within the portfolio.

Exhibit 5: Portfolio geographic breakdown (%)

Region	31 July 2025	31 July 2024	Change (pp)
North America	63.0	85.5	(22.5)
China (quoted)	24.1	6.5	17.6
Continental Europe	10.5	7.6	2.9
Unquoted*	2.1	0.4	1.7
Other	0.3	0.0	0.3
Total	**100.0**	**100.0**	

Source: BIOG; Edison Investment Research. Note: Adjusted for gearing. *Of the 2.1% unquoted investments at end-July 2025, 1.3% was in the US, 0.4% was in China, and 0.4% was in Asia.

Performance: Improvement in recent relative results

BIOG is one of three biotech specialists in the seven-strong AIC Biotechnology and Healthcare sector, along with International Biotechnology Trust (IBT) and RTW Biotech Opportunities (RTW). The other peers are broader healthcare specialists: Bellevue Healthcare Trust (BBH), Polar Capital Global Healthcare Trust (PCGH) and stablemate Worldwide Healthcare Trust (WWH), along with Syncona (SYNC), which is an early-stage healthcare investor. BIOG's relative NAV total return has improved in recent months and is modestly above average over the last year, ranking third.

To illustrate just how much of a negative impact the trust's strategy of favouring emerging biotech companies has had on BIOG's performance, it is helpful to revisit the review we published in March 2021. Back then, small-cap biotech stocks were just starting to underperform relative to their larger-cap peers and BIOG had the highest NAV total returns of the then six funds in the AIC Biotechnology and Healthcare sector over one, three, five and 10 years.

The trust's valuation is above average in a sector where all the funds are trading at a discount. Its ongoing charge is below the sector mean, BIOG has the second-highest level of gearing and it does not pay a dividend (biotech peer IBT can pay its dividend out of capital).

Exhibit 6: AIC Biotechnology and Healthcare sector at 3 September 2025*

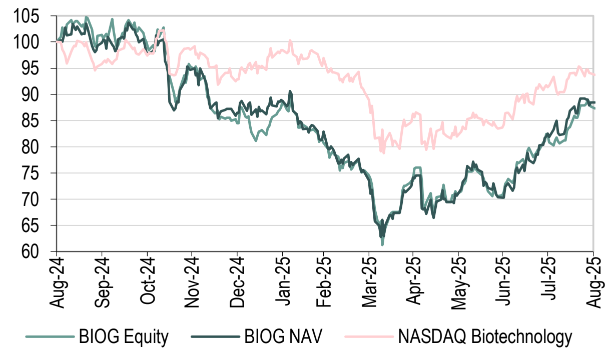
% unless stated	Market cap (£m)	NAV TR 1Y	NAV TR 3Y	NAV TR 5Y	NAV TR 10Y	Discount	Ongoing charge	Performance fee	Net gearing	Dividend yield
Biotech Growth	217.0	(9.0)	(7.4)	(19.6)	27.4	(10.8)	1.1	Yes	108	0.0
Bellevue Healthcare	156.0	(23.5)	(22.7)	(7.8)		(1.6)	1.0	No	102	4.8
International Biotechnology	232.9	6.1	25.5	28.9	87.5	(11.2)	1.2	Yes	110	4.4
Polar Capital Global Healthcare	420.8	(12.2)	8.0	39.3	121.5	(4.0)	0.9	No	100	0.7
RTW Biotech Opportunities	351.1	(10.6)	8.4	28.9		(21.9)	1.7	Yes	100	0.0
Syncona	579.3	(4.2)	(13.2)	(18.5)	47.5	(44.5)	1.7	No	100	0.0
Worldwide Healthcare	1,411.0	(10.2)	3.7	8.4	104.3	(6.9)	0.8	Yes	102	0.9
Average (7 funds)	**481.2**	**(9.1)**	**0.3**	**8.5**	**77.7**	**(14.4)**	**1.2**		**103**	**1.5**
Rank	**6**	**3**	**5**	**7**	**5**	**4**	**4**		**2**	**5**

Source: Morningstar, Edison Investment Research. Note: *Performance at 2 September 2025. TR = total return.

FY24 saw an improvement in BIOG's relative performance but FY25 (ending 31 March) proved disappointing with NAV and share price total returns of -24.4% and -24.2%, respectively, versus the benchmark's -6.0% total return. The managers explain that macroeconomic factors continued to have a significant negative effect on the trust's performance. Biotech valuations had started to recover in H125, but share prices fell in H225 due to the election of US President Trump. A stronger-than-expected US economy reduced the likelihood of interest rate cuts and the appointment of a vaccine sceptic as head of HSS put pressure on the whole healthcare sector, while the introduction of tariffs had a negative impact on investor sentiment. Within the biotech sector, emerging biotech companies were hit harder than their larger-cap peers.

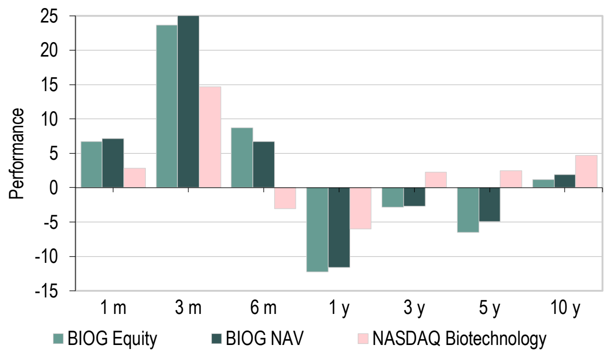
Looking at BIOG's more recent performance in FY26, in April 2025, its NAV rose by 0.8%, outperforming the benchmark by 3.7pp. A major positive contributor to the trust's relative performance was Structure Therapeutics (share price +56.0%) following news about competing oral GLP-1 products. Pfizer had to withdraw development of danuglipron due to liver toxicity and Eli Lilly showed statistically significant efficacy results for orforglipron in weight loss. Structure's product, aleniglipron, is more similar to Eli Lilly's compound, suggesting that it should also demonstrate significant weight loss with acceptable tolerability. In May 2025, BIOG's NAV declined by 4.7%, which was broadly in line with the benchmark, while in June 2025, the trust's NAV declined by 0.6% versus a 1.8% increase in the benchmark. The position in Dyne Therapeutics detracted from BIOG's performance, declining by 25.1% after announcing a delay in filing for US approval and a revision to the primary endpoint of its myotonic dystrophy type 1 clinical trial. July 2025 was a very strong month for the trust with a 17.4% increase in NAV, outperforming the benchmark by 8.0pp. Hong Kong-listed Akeso's shares rose by 68.1% after widely reported rumours that its partner, Summit Therapeutics, was in advanced discussions with AstraZeneca to sign a $15bn commercialisation deal for its experimental lung cancer drug, ivonescimab. Akeso is the drug's originator and is eligible to receive significant milestones and royalties on any ex-China sales of the drug. Nanjing Leads Biolabs' stock price surged 91.7% on its first day of dealing following its Hong Kong IPO (OrbiMed had a cornerstone allocation). The company's lead candidate, LBL-024 (a potential best-in-class bispecific antibody), showed a high objective response rate for advanced neuroendocrine carcinoma in a recent Phase Ib/II trial, with potential to expand to larger indications. This compound has been designated as a breakthrough therapy in China and as an orphan drug in the US (these encourage drug developments for conditions with small patient populations, that would otherwise be considered uneconomic).

Exhibit 7: Rebased one-year share price, NAV and index total return performance to 31 August 2025



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 8: Share price and NAV total return performance, relative to indices (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year figures annualised.

Exhibit 9: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	NASDAQ Biotech (%)	World-DS Pharma & Bio (%)	MSCI World (%)	CBOE UK All-Cos (%)
31/08/21	1.4	5.4	22.8	15.0	26.8	27.1
31/08/22	(23.1)	(20.2)	(13.8)	2.5	0.9	1.8
31/08/23	(19.0)	(20.8)	(1.4)	5.5	6.7	5.5
31/08/24	28.9	31.6	15.3	20.7	20.5	17.3
31/08/25	(12.3)	(11.6)	(6.0)	(11.4)	13.0	13.4

Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling.

Exhibit 10: Share price and NAV total return performance, relative to indices (%)

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to NASDAQ Biotechnology	3.8	7.9	12.1	(6.7)	(14.3)	(36.8)	(29.2)
NAV relative to NASDAQ Biotechnology	4.2	9.0	10.1	(5.9)	(13.8)	(31.4)	(23.8)
Price relative to WORLD-DS Pharm & Bio	4.8	17.0	17.6	(1.0)	(18.8)	(46.2)	(48.2)
NAV relative to WORLD-DS Pharm & Bio	5.3	18.3	15.4	(0.2)	(18.3)	(41.6)	(44.3)
Price relative to MSCI World	6.2	14.2	5.1	(22.4)	(36.9)	(61.6)	(68.8)
NAV relative to MSCI World	6.6	15.5	3.2	(21.8)	(36.6)	(58.3)	(66.5)
Price relative to CBOE UK All Companies	5.1	16.4	1.3	(22.6)	(34.7)	(60.6)	(46.9)
NAV relative to CBOE UK All Companies	5.6	17.7	(0.6)	(22.0)	(34.3)	(57.3)	(42.9)

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end August 2025. Geometric calculation.

As shown in Exhibit 10, BIOG's relative performance record has been negatively affected by the managers' preference for emerging versus large-cap biotech stocks. However, recently things are looking relatively brighter; over the last six months the trust has meaningfully outpaced the performance of its benchmark. If this continues, the trust's shareholders may be rewarded with a narrower discount as well as capital appreciation. Before the latest prolonged industry drawdown, BIOG had very robust annual total returns.

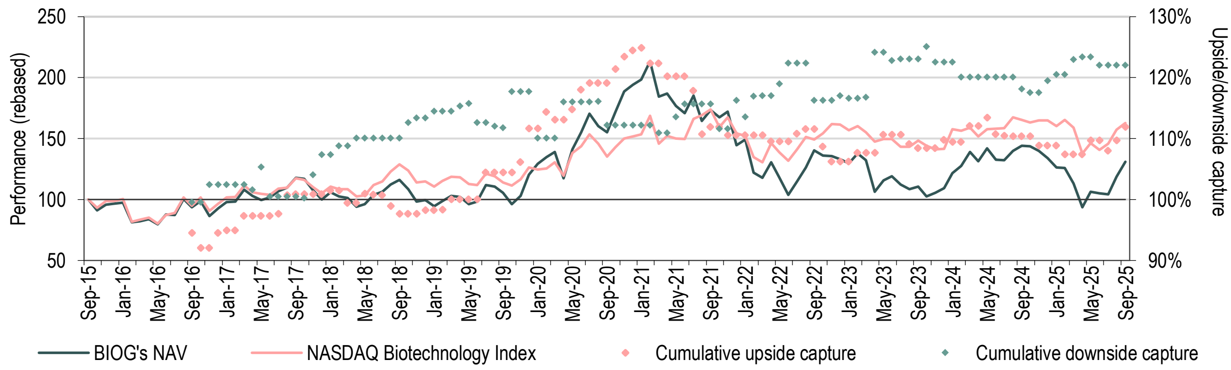
Exhibit 11: BIOG's NAV versus the benchmark over the last 10 years

Source: LSEG Data & Analytics, Edison Investment Research

BIOG's upside/downside capture

Exhibit 12 shows BIOG's performance versus the NASDAQ Biotechnology Index over the last decade. The trust's upside capture rate of 112% is lower than its 122% downside capture rate, suggesting that BIOG will underperform more in a market when biotech stocks are falling than it will outperform when biotech shares are rising. This feature of the trust should not be a surprise given BIOG's bias to emerging biotech stocks, which are inherently more risky than large-cap biotech stocks.

Exhibit 12: BIOG's upside/downside capture



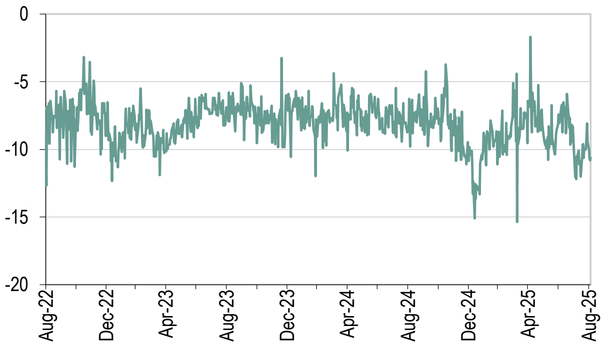
Source: LSEG Data & Analytics, Edison Investment Research
Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

Valuation: For now, discount remains range bound

BIOG's current 10.6% discount to cum-income NAV is towards the wider end of the 1.7% to 15.4% three-year range. It is wider than the 8.8%, 8.1%, 5.9% and 6.2% average discounts over the last one, three, five and 10 years, respectively. The trust may be afforded a higher valuation if its relative performance continues to improve or if there is a change in investor sentiment, as a heightened level of risk aversion has resulted in above-average discounts across most of the investment trust industry.

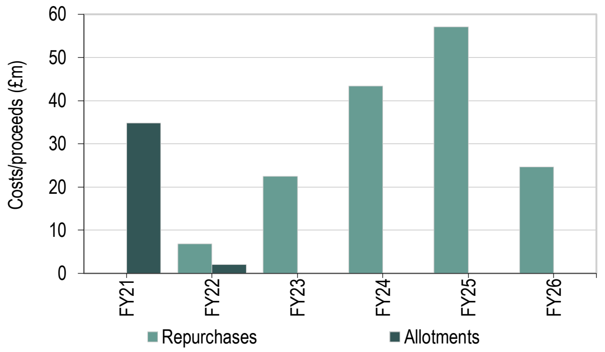
Renewed annually, the board has the authority to purchase up to 14.99% and allot up to 10% of BIOG's issued share capital. It remains committed to limiting the discount to 6% over the long term, in normal market conditions. During FY25, c 6.4m shares were repurchased (c 19.0% of the share base) at a cost of c £57.4m and an average 8.7% discount to cum-income NAV, which added 1.9% to BIOG's NAV. This follows a c 13.6% reduction in the share base in FY24 and repurchases are continuing in FY26.

Exhibit 13: Discount over last three years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 14: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: All-cap, global biotech exposure

BIOG was launched in June 1997 and is listed on the Main Market of the London Stock Exchange. The trust is managed by Geoff Hsu and Josh Golomb at OrbiMed, which is a global healthcare specialist investor with more than $17bn of assets under management. OrbiMed operates from three continents with offices in New York, San Francisco, London, Herzliya (Israel), Hong Kong, Shanghai and Mumbai. It has a team of around 140 people, of whom more than 35 hold PhD or MD qualifications and around 15 are former CEOs or company founders.

Hsu and Golomb aim to generate long-term capital growth from a diversified portfolio of global biotech equities and related securities. The trust's performance is measured against the NASDAQ Biotechnology Index (sterling adjusted) and its currency exposure is unhedged. BIOG's investment guidelines state that at the time of investment, a maximum of 15% of gross assets may be held in a single stock; up to 10% may be in unquoted securities (including any private equity funds managed by OrbiMed and its affiliates); and swaps exposure is permitted up to 5% of gross assets at the time of entering into the contract. The managers may employ gearing up to 20% of net assets.

Investment process: Bottom-up stock selection

Hsu and Golomb aim to generate long-term capital growth from a globally diversified portfolio of biotech companies across the market cap spectrum. They can draw on the broad resources of OrbiMed's experienced investment team; their scientific expertise is deemed critical in terms of evaluating potential investments. Stocks are selected on a bottom-up basis following thorough in-depth fundamental research, which includes financial modelling, an assessment of research pipelines and identification of potential catalysts; company meetings are a very important element of the research process. Reasons to initiate a new position include whether an early-stage company is approaching profitability, ahead of anticipated positive clinical data, or if a business is considered a potential takeover target.

While the managers seek the best potential opportunities across the globe, most of the portfolio is held in US companies, reflecting its dominance in the biotech industry; however, BIOG has a notable exposure to China. The trust's holdings are regularly reviewed to ensure the original investment theses are still valid and positions are sized correctly. The managers note that BIOG's portfolio turnover is relatively high because of its large emerging biotech exposure, where stocks can be volatile around news about clinical results.

BIOG's approach to ESG

OrbiMed believes that there is a high congruence between companies seeking to act responsibly and those that succeed in building long-term shareholder value. To the extent that it is practicable and reasonable, OrbiMed takes applicable environmental, social and corporate governance factors into account when evaluating a prospective or existing investment via a five-step process:

1. Negative screening – OrbiMed does not invest in businesses that lead to negative effects on public health or wellbeing, such as banned or illegally marketed pharmaceuticals or tobacco.
2. Due diligence – fundamental analysis to review material ESG factors.
3. Monitoring – performance of portfolio companies is regularly monitored on multiple factors.

4. Engagement – occurs with portfolio companies on a regular basis including meetings with management, voting by proxy and ESG conferences.
5. Reporting – OrbiMed has introduced a quarterly ESG update covering sector and portfolio highlights, along with engagements on material issues.

OrbiMed may seek to engage with portfolio companies to promote changes in their conduct or policies and could ultimately decide to sell the investment in these firms. In some cases, it may adopt an 'activist' approach to encourage change at investee companies, which may include a proxy campaign or seeking representation on their boards of directors. The managers seek to invest in reputable management teams and are especially aware of corporate governance in emerging markets, as company credentials in these regions may not be as high as those of firms in developed regions.

Gearing

Gearing of up to 20% of NAV is permitted and is employed via a loan facility with JP Morgan Securities, priced at 45bp above the US Federal Funds rate. At the end of July 2025, the trust's net gearing was 8.6%, which compares with its typical range of 5–10%.

Fees and charges

OrbiMed is paid an annual management fee of 0.65% of BIOG's NAV. It is also entitled to a performance fee of 15.0% of outperformance versus the benchmark if the cumulative outperformance since the start of the arrangement on 30 June 2005 gives rise to a total fee greater than the total of all performance fees paid to date.

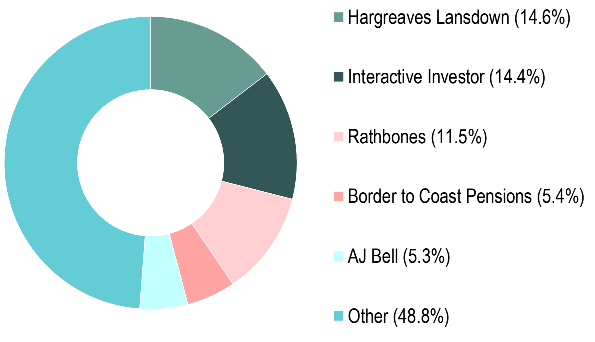
Frostrow Capital is the trust's alternative investment fund manager, providing company management, secretarial, administrative and marketing services. It receives a tiered annual fee of 0.3% of BIOG's market cap up to £500m, 0.2% between £500m and £1bn and 0.1% above £1bn.

In FY25, the trust's ongoing charges were 1.1%, which were 10bp lower than 1.2% in FY24; no performance fees were payable.

Capital structure

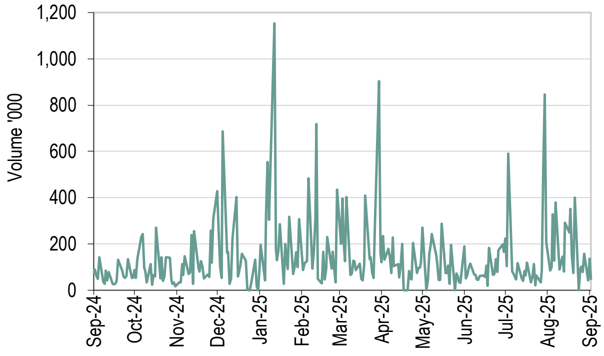
BIOG is a conventional investment trust with one class of share. There are currently 23.8m ordinary shares in issue and the average daily trading volume over the last 12 months was c 145k shares.

Exhibit 15: Major shareholders at 31 July 2025



Source: Bloomberg, Edison Investment Research

Exhibit 16: Daily volume, 12m to 4 Sept 2025



Source: LSEG Data & Analytics, Edison Investment Research

The board

As Geoff Hsu is a partner at OrbiMed, he is considered to be a non-independent director, and his fees are waived.

On 4 September 2025, the board announced the appointment of Julie Tankard as an independent non-executive director with effect from 3 September 2024. She is a non-executive director and chair of the audit committee of F&C Investment Trust. Tankard has 30 years of varied finance experience and is a director of Fincom Advisory, providing commercial advice to businesses, and is on the board of the Industrial Development Advisory Board.

The Rt Hon Lord Willetts and Julia le Blan retired at the July 2025 AGM.

Exhibit 17: BIOG's board at the end of FY25

Board member	Date of appointment	Remuneration in FY25 (£)	Shareholdings at 31 March 2025
Roger Yates (chair since July 2022)	1 December 2021	44,000	15,000
Geoff Hsu	16 May 2018	Nil	Nil
Dr Nicola Shepherd	18 January 2021	30,000	3,000
Hamish Baillie	1 November 2023	32,258	7,200
Julie Tankard	4 September 2024	17,385	1,022

Source: BIOG

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