

# International Biotechnology Trust plc

Investing in biotechnology  
for a healthier future

Half Year Report  
For the six months ended 29 February 2024

Schroders

## Performance Summary

NAV per share total return\*

**11.2%**

(Year ended 31 August 2023: 2.7%)

Share price total return\*

**8.7%**

(Year ended 31 August 2023: 3.0%)

Reference Index

**8.2%**

(Year ended 31 August 2023: -1.4%)

Yield\*

**4.1%**

(Year ended 31 August 2023: 4.4%)

Some of the financial measures are classified as Alternative Performance Measures ("APMs"), as defined by the European Securities and Markets Authority and are indicated with an asterisk (\*). Definitions of these performance measures, and other terms used in this report, are given on pages 26 and 27 together with supporting calculations where appropriate.

## Investment objective

International Biotechnology Trust plc (the "Company") investment objective is to achieve long-term capital growth by investing in biotechnology and other life sciences companies.

## Why invest in the Company?

The Company offers investors access to the fast-growing biotechnology sector through an actively managed, diversified portfolio.

- **Strong fundamentals**  
Driven by the strong fundamental demand and supply of the biotechnology sector.
- **Diversified portfolio**  
Access to a broad spectrum of quoted and unquoted investments.
- **Growth and yield**  
Provides investors exposure to both growth and an attractive yield.
- **Active management**  
Bottom up stock selection with diversification overlay.
- **Expert team**  
Scientifically and financially experienced Fund Managers supported by Schroders' Investment Trust platform.
- **Innovation**  
Invested in some of the most innovative companies in the world, developing therapies to improve and save lives.



**Ongoing charges ratio\*****1.3%\*\***

(31 August 2023: 1.4%\*\*)

**Share price discount to NAV per share\*****8.7%**

(31 August 2023: 6.3%)

**Gearing\*****6.4%**

(31 August 2023: 12.0%)

**Share price****684p**

(31 August 2023: 644p)

\*\*Includes Management fees paid to SV Health Managers LLP ("SV Health") through the investment in SV Health Investor's Fund VI ("SV Fund VI") and SV Biotech Crossover Opportunities Fund ("SV BCOF") of £354,000 (28 February 2023: £428,000; 31 August 2023: £791,000).

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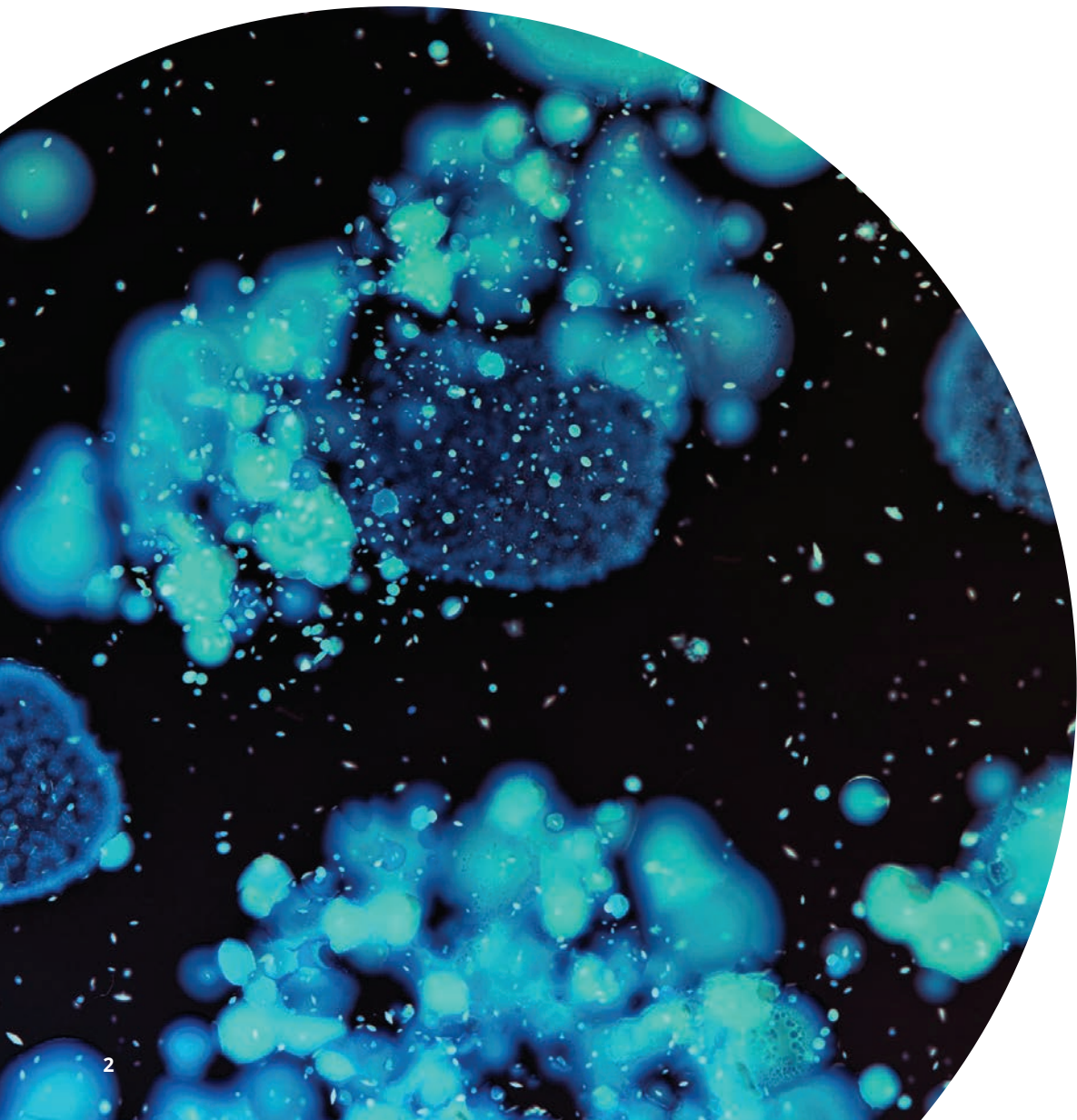
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This is not a sustainable product for the purposes of the FCA rules. References to the consideration of sustainability factors and ESG integration should not be construed as a representation that the Company seeks to achieve any particular sustainability outcome.



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# Interim Management Report

## **Interim Management Report**

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*Ailsa Craig and Marek Poszepczynski passed their three-year anniversary as joint lead Fund Managers of the Company on 15 March 2024. Over this period, the Company has delivered a total return of 4.9%, comfortably ahead of the Reference Index which fell by 1.1% over the period.*

Dear Shareholders

I am pleased to report that the Company's NAV has again beaten the NASDAQ Biotechnology Index (with dividends reinvested) sterling adjusted (the "Reference Index") during the six-month period under review. The Company delivered a NAV total return of 11.2% per share, while the Reference Index rose by 8.2%. The share price total return per share was 8.7%, marginally ahead of the Reference Index, reflecting widening discounts across the sector.

More muted inflation data globally and increased confidence that the interest rate cycle has peaked, led to a change in investor appetite for risk towards the end of the calendar year, 2023. This has continued into the first quarter of 2024, and we have seen long awaited evidence of a nascent recovery in the biotechnology sector.

This is my first report to you since the Company transitioned to Schroders as Alternative Investment Fund Manager (the "Manager") in November last year, and I'm delighted to confirm that the integration of the new Manager arrangements has gone well. We received a positive endorsement of this strategic decision at the Company's Annual General Meeting ("AGM") in December 2023, when shareholders voted by over 99% in favour of continuation of the Company.

Ailsa Craig and Marek Poszepczynski have moved from SV Health to Schroders and are continuing to manage the quoted portfolio with the same investment philosophy, focused on offering access to the fast-growing biotechnology sector through an actively managed, diversified portfolio. The team passed their three-year anniversary as joint lead Fund Managers of the Company on 15 March 2024. Over this period, the Company has delivered a total return of 4.9%, comfortably ahead of the Reference Index which fell by 1.1% over the period. This is no mean feat during a very volatile time for the sector, which included the pandemic vaccine-related euphoria, the subsequent hangover, the threat of recession as global inflation and interest rates rose and a substantial increase in geopolitical risk. To have outperformed significantly during a time of up to 30% swings in the Reference Index is a great achievement and vindicates the investment philosophy of selectively identifying exciting

opportunities in the biotechnology sector with an active risk management approach.

The Company also continues to maintain a relationship with SV Health, which provides advice on the Company's unquoted exposure, principally through investment in two SV Health funds.

### Quoted portfolio

During the six months under review, the NAV per share of the quoted portfolio produced a total return of 13.1%, substantially outperforming the Reference Index, which returned 8.2%.

The biggest contributor to performance came from Vera Therapeutics, an autoimmune company which is a top 10 holding in the portfolio. The share price doubled following promising early clinical trial results from the Company's lead development drug, Ataccept for Immunoglobulin A (IgA) nephropathy, a chronic kidney disease. Current treatments for this rare disease focus on alleviating symptoms only. Late stage trial news will not be available until 2025, but Ataccept may treat the inflammatory process.

Further contributions to performance came from another two holdings becoming acquisition targets. Bristol Myers Squibb bid for both Mirati, an oncology company with a lung cancer treatment and Karuna, a company with a product to treat psychosis in Alzheimer's Disease. These two acquisitions, which together contributed an increase of 2.5% to NAV, reinforce the importance of a thriving mergers and acquisitions ("M&A") environment in biotechnology investing. Following a dearth of M&A activity in 2022, a rebound in 2023 led to a record number of biotechnology companies becoming takeover candidates. The Company has benefited from being invested in 23 such candidates in the last three years.

Disappointing sales of two newly launched products Lupkynis, an oral drug for lupus from Aurinia; and Daxxify, an injectable for the treatment of glabellar lines from Revance, detracted from performance during the last six months.

The share price of Uniqure which is developing a treatment for Huntington's disease has fallen by over 25% after revealing disappointing clinical trial data in December 2023.

## Unquoted portfolio

The unquoted portfolio, which comprised 7.9% of the Company's total investments at the period end, continued to be primarily invested in two venture capital funds managed by SV Health, SV Fund VI and SV BCOF, as well as a small number of direct investments in unquoted companies, most of which have been exited with potential contingent milestone payments still remaining. Early stage biotechnology companies have been significantly affected by higher costs of capital and a deteriorating funding environment. Valuation adjustments in unquoted investments inevitably lag those of the broader market and the portfolio has seen some holdings within the venture capital funds marked down since we last reported to shareholders. Over the longer term the unquoted funds continue to deliver a strong rate of return.

### SV Fund VI

During the six month period to 29 February 2024, a short period of time for a long term venture fund, SV Fund VI, which represented 4.3% of the Company's total investments fell slightly in value. Over the longer term the fund has performed well, delivering a currency adjusted internal rate of return ("IRR") of 16.5% per annum since the Company's first investment in 2016. SV Fund VI, which includes a range of early-stage biotechnology, medical device and healthcare services companies, is now a mature portfolio with most of the capital committed drawn down. In November 2023, one of the investments in SV Fund VI, Caraway, a pre-clinical company with a pipeline of small-molecule therapeutics for the treatment of neurodegenerative diseases, was sold to Merck, resulting in a further distribution to investors.

### SV BCOF

SV BCOF, a newer fund which invests in later stage and/or pre-initial public offering ("IPO") opportunities, represents 1.9% of the Company's total investments. The \$30 million commitment is only partially drawn down. As reported previously, one of the first investments in SV BCOF, Nimbus Therapeutics, sold its TYK2 Inhibitor, which had demonstrated promising Phase 2 results in psoriasis, to Takeda in February 2023, resulting in a very early distribution back to investors. SV BCOF has recently made a new investment in BioAge, a company which is developing an oral obesity drug, Azelaprag. This brought the total number of holdings in the company to eight. Thus far, SV BCOF has delivered a net IRR of 86.5%, an excellent performance, albeit very early in the life of this venture capital fund.

### Ikano Therapeutics

Of the small number of directly-held legacy assets, the most significant is Ikano Therapeutics, which represents 1.5% of the Company's total investments.

Further comment on investment performance and the investment policy can be found in the Fund Managers' review.

## Dividends

The Company's dividend policy, which was last approved at the AGM in December 2023, is to make dividend payments equivalent to 4% of the Company's NAV, as at the last day of the preceding financial year ending 31 August, through two semi-annual distributions. The first dividend for the year of 13.9p per share was paid on 26 January 2024. The Board intends to make the declaration of the second dividend for the year in accordance with the above policy in July 2024 for payment in August 2024.

## Discount management

The last six months has seen an increase in share prices trading at a discount to NAV throughout the investment trust industry, and the biotechnology and healthcare sector is no exception. The Board

continues to keep the Company's share price discount to NAV under close review and is committed to buying back its shares to help manage the position. Although 1,060,776 shares were bought back to be held in treasury during the period, the discount widened from 6.3% to 8.7%. This is frustrating when the Company's performance is strong, delivering a peer group leading dividend yield.

The Manager is working hard to introduce the Company's specialist mandate to new shareholders. The Board believes that buying back shares at a discount to NAV is not only accretive to shareholders but demonstrates confidence in the underlying fundamental value of the portfolio investments.

## Costs and fees

As previously explained, the Manager has waived its management fee for the first six months of the appointment (from 20 November 2023), to offset the costs associated with the mandate transition.

As expected, the ongoing charges ratio ("OCR") has decreased since the transition to Schroders and is expected to fall further.

In accordance with the Company's Remuneration Policy to pay additional one off fees in the event Directors have undertaken time-consuming work to deliver projects in shareholders' interests, all Board members have been awarded a one off increment following completion of the transition of the Company from SV Health to Schroders. These are detailed in the related party transactions note on page 24.

Due to the outperformance of the quoted portfolio since 20 November 2023, a performance fee of £1,682,000 has accrued to the Manager. A fee has also accrued to SV Health of £177,000 due to the performance of the unquoted portfolio.

## Environmental, social and governance ("ESG") matters

One of the advantages of moving to Schroders is that the Company can benefit from Schroders' expertise in integrating ESG into the investment process. Investing in innovative biotechnology companies, which are developing treatments to extend and improve the lives of patients suffering from disease, has an important social impact. The Board and Fund Managers understand that including ESG factors in the analysis of investment ideas will contribute to the sustainable success and performance of investee companies.

In accordance with the Company's ESG policy, this half year report includes a summary of the ESG measures of the top holdings using data provided by Morningstar's Sustainalytics. When reporting to you at the end of the financial year, it is intended to use data provided by the Manager's in-house dedicated sustainability team, which has developed its own proprietary tools, to expand the ESG disclosures.

## Board and succession

Caroline Gulliver, Chair of the Company's Audit Committee will have served on the Board for nine years this year and has indicated her intention to step down as a Director at this year's AGM.

During the period under review, the Board appointed Gillian Elcock to act as Chair of the Company's Nomination Committee. Gillian is leading the Committee's search for Caroline's successor. An independent search consultant has been engaged to assist with this search, with the intention of making an appointment prior to the Company's financial year end. This will enable Caroline to lead the year end annual report process while allowing a smooth transition for her successor.

### Outlook

Mixed data on inflation globally, and conflicting reports on the state of the employment market, particularly in the US, mean that it is undoubtedly too early to claim a return to economic growth, but markets seem to be increasingly confident that the next rate move will be downwards.

The volume of rhetoric around drug pricing and access to healthcare will inevitably get louder in an election year in the US. However, the US Inflation Reduction Act, enacted by Biden and the Democrats in 2022, should lessen concerns with drug price negotiations, for the highest selling products, already announced. It is the Fund Managers' view that a further round of reform is unlikely to have a significant impact on the pharmaceutical industry.

The science and innovation in the drug development sector is more exciting than ever. The number of new clinical trials registered in 2023 reached a new high, as novel techniques and technology including gene therapy, cell therapy and RNA therapeutics gained momentum.

The M&A outlook remains bright, and the need for large pharmaceutical companies to fill their pipelines is as great as ever. Relative valuations in the small and mid-cap biotechnology companies are compelling.

The Board is confident the convergence of a more benign economic environment and robust industry fundamentals will give investors greater confidence to invest in the biotechnology sector.

#### **Kate Cornish-Bowden**

Chair

7 May 2024





Ailsa Craig



Marek Poszepczynski

*The accelerating pace of innovation is gradually being acknowledged by the stock market, which is starting to reward smaller, earlier-stage biotechnology companies with higher valuations.*

We are pleased to present the Fund Managers' Review for the six months ended 29 February 2024. During the period under review, the Company completed the transition of its AIFM to Schroders, in a move that had been announced in August 2023, following SV Health's decision to relinquish the mandate.

Many shareholders expressed a strong desire for continuity through the transition and we both joined Schroders on 20 November 2023 to continue to manage the quoted portfolio with the same investment philosophy. Meanwhile, Schroders brings significant investment trust expertise to the proposition, and is strongly placed to support the Company from a regulatory and marketing perspective.

**Market overview**

Overall, the biotechnology sector experienced a mixed performance during the period under review, declining during the first couple of months before staging a strong recovery through the last few weeks of 2023 and into the start of this year. Underlying this have been some encouraging and potentially significant developments.

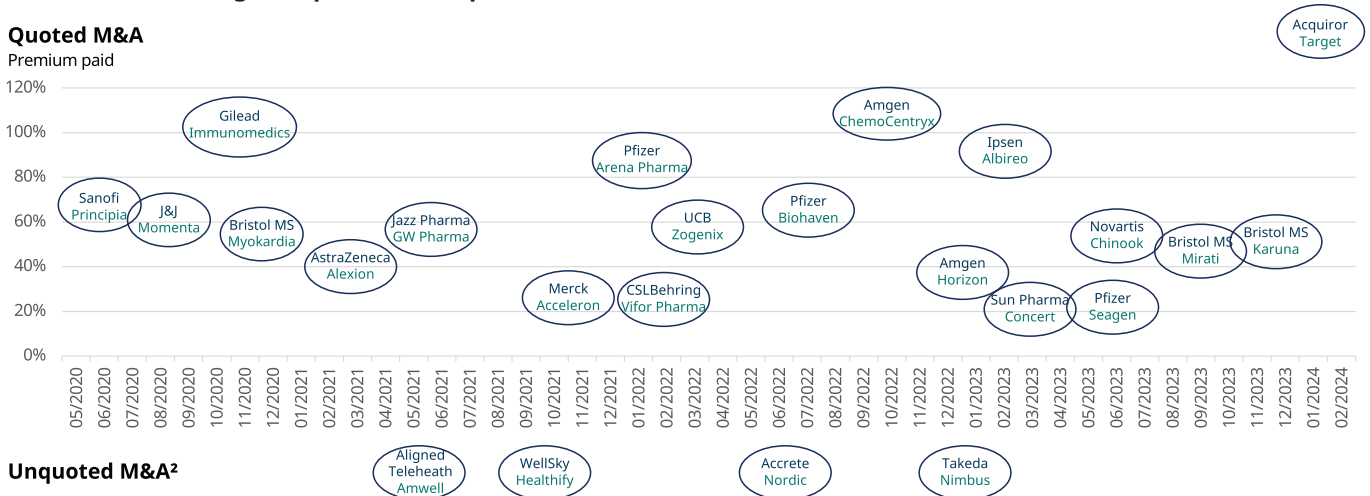
Consolidation in the sector has continued, with many companies undergoing restructuring or M&A. This has been driven by a desire among large pharmaceutical companies to fill the revenue gap that stems from their impending patent expiries and the impact of implementation of the US Inflation Reduction Act. 2023 saw a record value of M&A transactions in the industry. This has presented opportunities for active investors to add value by capitalising on potential efficiencies, the gradual reshaping of the industry landscape and raises the prospect of improved productivity going forward.

The Company benefited from two acquisition bids during the period. Both were from **Bristol Myers Squibb** which acquired our portfolio holding **Mirati**, an oncology company with an approved product addressing a specific population of lung cancer patients, and another of our portfolio holdings, **Karuna**, a company focusing on schizophrenia and psychosis in Alzheimer's Disease. These acquisitions demonstrate the attractiveness of our portfolio companies and the potential for value realisation in the Company through M&A.

**M&A – a major theme of the biotechnology industry**

**Strong M&A deal flow for the Company in recent years**

**23 M&A deals among IBT's portfolio companies since 2020<sup>1</sup>**



Source: Schroders.

<sup>1</sup>In some transactions the market price rose sharply before the announcement.

<sup>2</sup>M&A premium not disclosed in unquoted portfolio.

Reference to securities are for illustrative purposes only and not a recommendation to buy or sell.

## Fund Managers' Review

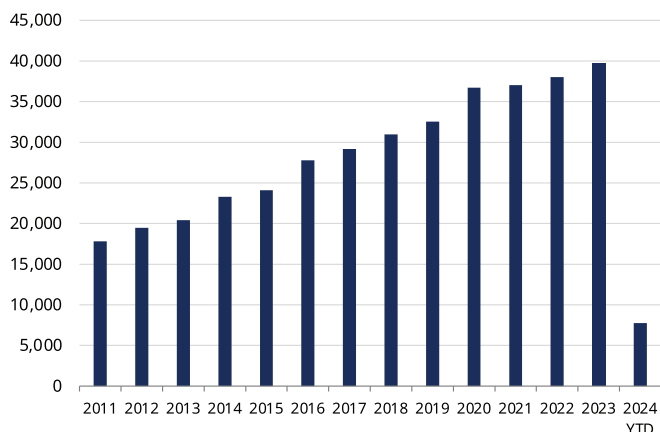
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Meanwhile, innovation in the biotechnology industry has continued at a rapid pace. This is reflected in the record number of new clinical trials being initiated and in the number of novel drug approvals, which rose to 55 in 2023, the highest level since 2018.

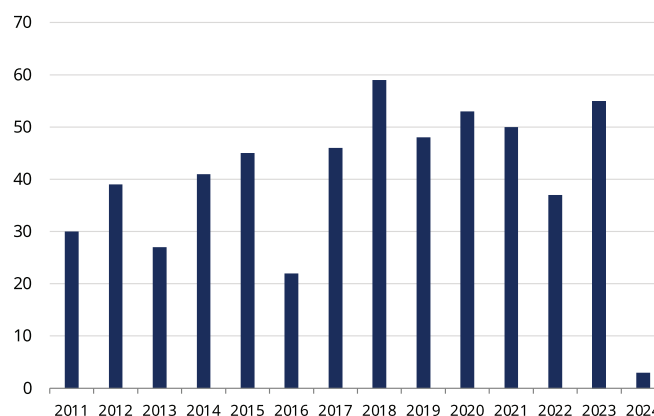
### Innovation ensuring sector meets increasing demand

After Covid slowdown in 2022, novel drug approvals recovered in 2023

**Number of new clinical trials registered with clinicaltrials.gov<sup>1</sup>**



**Novel drug approvals by U.S. FDA<sup>2</sup>**



<sup>1</sup>Source: New clinical studies disclosed per year on clinicaltrials.gov as of 29 February 2024.

<sup>2</sup>Source: U.S. Food and Drug Administration ("FDA") as of 29 February 2024.

The accelerating pace of innovation is gradually being acknowledged by the stock market, which is starting to reward smaller, earlier-stage biotechnology companies with higher valuations. This is a sign of renewed investor appetite for the sector after a period in which "safer haven", large established biotechnology companies with slower growth but stable cash flows, had been more in favour. With smaller cap biotechnology valuations closely correlated to US interest rates, this may also reflect the anticipated change in direction of US monetary policy signalled by the Federal Reserve.

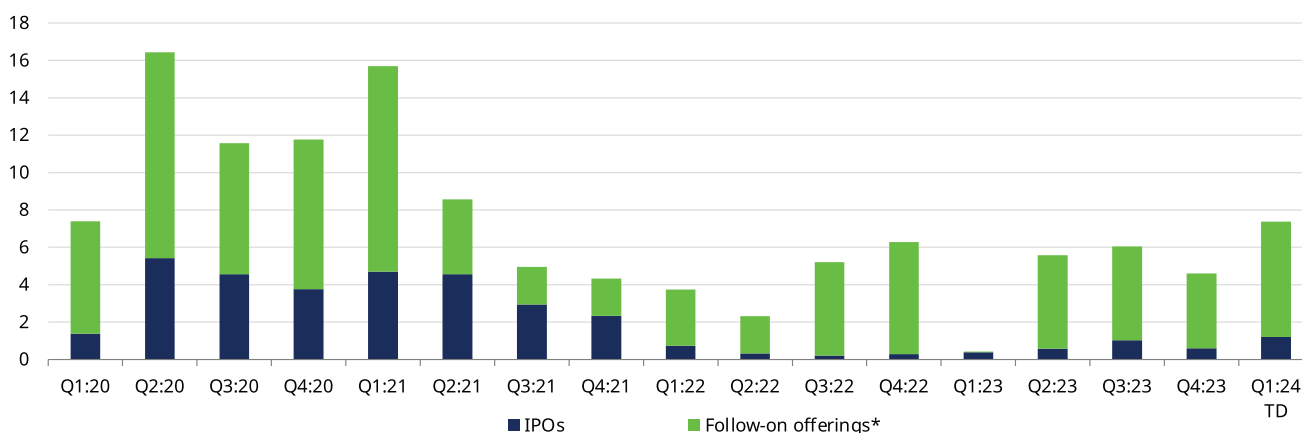
Additionally, after a long period of subdued equity fundraising, we are seeing evidence of a recovery in financing activity in the biotechnology sector, particularly in the first months of 2024. There has been a nascent recovery in IPOs, as companies take advantage of the increasingly favourable market conditions to access public capital. Investors have also backed companies that have delivered positive clinical data, providing equity through successful secondary fundraising, which provides the funding these businesses need to take their drugs to the next stage of development. Access to capital underpins more investment in research going forward, fuelling innovation over the year ahead.

### Biotechnology equity financing – a key indicator of sector health

Q1 2024 is already the best quarter since Q2 2021

**Equity raised by biotechnology companies (2020-2024 YTD)**

Amount raised (\$bn)



Source: Factset to mid-February 2024.

\*Excludes PIPEs financing.

## Performance review

The Company has delivered a solid performance during the six-month period, generating positive returns for its shareholders. The NAV per share generated a return of 11.2%, outperforming the Reference Index, which generated a total return of 8.2%. The share price also performed well, generating a total return of 8.7%<sup>1</sup>. The Company's discount widened from 6.3% to 8.7%.

## Quoted portfolio

The NAV of the quoted portfolio rose by 13.1% (gross of management and performance fees), for the six-month period, outperforming the Reference Index which returned 8.2%. The performance of the quoted portfolio reflects the strength of our investment selection and active management strategies.

## M&A

During 2022, the sector witnessed a normalisation of M&A deals after a period of drought driven by the top-heavy valuations during the pandemic. However, 2023 saw a record high number of acquisitions, with 38 deals in our sector. The average premium paid was 61% with a median of 43%. In terms of value of deals, Evercore ISI reported that 2023 was the second highest in history.

The Company benefited from two acquisition deals during the period under review. In October 2023, Bristol Myers Squibb agreed to acquire oncology company Mirati for \$5.8 billion, a 52% premium to the 30-day average of Mirati's share price prior to news breaking that the company was in discussions to be acquired. Mirati had recently received approval for its targeted cancer therapy Krazati, in December 2022. Krazati (adagrasib) treats a specific type of lung cancer with the KRAS G12C mutation. As part of the agreed transaction, Bristol Myers Squibb included a non-tradable contingent value right where the company agreed to pay Mirati shareholders a further \$1 billion should the US regulator, the FDA, accept an application for the company's pipeline drug MRTX1719 for lung cancer.

In December 2023, Bristol Myers Squibb came back to the table to acquire another of our portfolio companies, Karuna Therapeutics for \$14 billion. Recent reports show that the deal was highly competitive, underscoring the appeal of high-quality companies. Karuna submitted its investigational schizophrenia treatment KarXT to the US regulator, the FDA, in the autumn of 2023 and expects to hear if the drug will be approved in the autumn of this year. Bristol Myers Squibb's offer of \$330/share was a 53% premium to the share price close prior to announcement.

## Contributors to NAV

**Vera Therapeutics** (gain of £18.5 million<sup>2</sup>) is a biotechnology company with an interesting asset in late-stage development for IgA nephropathy with its drug Atacept. Atacept's disease modifying approach may be the first product on the market to treat the underlying cause of the disease rather than the existing treatments that focus on symptom alleviation. In January 2024, Atacept showed a stabilisation of eGFR (a measurement of kidney function) over 72 weeks. Later stage trials are beginning this year and are expected to read out in early 2025. IgA nephropathy is an autoimmune disease of the kidneys which causes damage that may lead to end-stage renal disease and eventually transplant.

Mirati (gain of £3.6 million<sup>2</sup>) was acquired by Bristol Myers Squibb for \$5.8 billion, announced in October 2023. Bristol Myers Squibb has acquired multiple biotechnology companies in recent years as the company approaches patent expiries which will see generic competition erode much of their topline sales. The acquisition of Mirati will add future oncology revenues to their existing franchise,

including Revlimid, which treats multiple myeloma. Mirati's lung cancer drug Krazati, which was approved in December 2022, is currently on the market. Behind Krazati, Mirati has multiple other oncology assets in the pipeline, one of which could generate an additional payment by Bristol Myers Squibb of \$1 billion should its programme successfully file with the FDA.

Karuna's (gain of £3.1 million<sup>2</sup>) acquisition by Bristol Myers Squibb should help complement their existing neurology franchise. Karuna's drug KarXT has a novel mechanism of action to treat neurological disorders such as schizophrenia in adults which is not associated with the side effects of the current commonly used antipsychotic drugs such as weight gain and extrapyramidal symptoms or sedation. Analysts have predicted the drug's expected peak sales to reach c.\$10 billion.

## Detractors from NAV

**Aurinia** (loss of £3.4 million<sup>2</sup>) launched Lupkynis for lupus nephritis in September 2022. The drug has a dual mechanism of action and is the first oral drug to receive approval in lupus in the US. The management team announced its intention to sell the company in July 2023. However, after several months the company announced it was no longer actively pursuing a sale, causing disappointment among investors and an associated negative market performance.

**Uniqure** (loss of £2.8 million<sup>2</sup>) has continued to trade down after mixed data from its Huntington's disease programme announced in December 2023. The Dutch company has announced a restructuring, cutting 114 jobs and more than half of its research and development programmes.

**Revance** (loss of £2.4 million<sup>2</sup>) has been suffering from a disappointing launch of its glabella lines product, Daxxify. Sales have not managed to capture share from rival Abbvie which sells botox. Management has expanded the label for Daxxify to include cervical dystonia and cut the price of the treatment, hoping to boost sales of the drug.

## Unquoted portfolio

With the recent recovery in the biotechnology market, things are looking up for earlier stage venture companies. The exit opportunities are trending higher as the IPO window opens, and pharmaceutical companies continue with their acquisition spree.

In November 2023, SV Fund VI received upfront proceeds of \$4.0 million related to the acquisition of **Caraway** by Merck. SV Fund VI is entitled to additional proceeds upon the achievement of clinical milestones as well as the release of holdback escrow proceeds. SV Fund VI made two follow-on investments in the quarter in **MyOrthos** and **Endotronix**.

With its focus on later stage assets, a number of SV BCOF portfolio companies have had positive clinical data readouts and/or are expected to generate positive data this year with the potential to deliver value accretion events for the Company.

Of note, **EyeBio**, SV Health's third company creation with experienced ophthalmologist, David Guyer, has had a very strong 2023, with promising data from Part 2 of its Phase 1b trial from its lead programme in diabetic macular edema. Initial patient data are promising with major improvements in vision (+11.2 letters on a standard eye test) and 80% reduction in retinal thickness seen in patients. As a result, the company is attracting significant interest from both pharma and venture capitalists. 2024 will see the company advance towards Phase 3 pivotal trials with the first patient enrolment due by the end of the year.

<sup>1</sup>Source: Morningstar, on a sterling-adjusted total return basis, with dividends reinvested. Past performance is not a guide to future performance and may not be repeated.

<sup>2</sup>Source: Schroders as at 29 February 2024.

## Fund Managers' Review

### continued

**Prilenia** has invested significant efforts with the European Medicines Agency during 2023 following its Phase 3 study which missed the primary endpoint but delivered positive results in pre-specified secondary analyses, showing clinically meaningful benefits in Huntingdon's Disease, a rare neurodegenerative disease currently without disease-modifying treatment options. It has received strong encouragement from the EU regulator to apply for a marketing authorisation for final approval which the Company is due to submit in mid-2024.

Following the closing of the **Nimbus-Takeda** acquisition in the first quarter of 2023 which involved a \$4 billion upfront payment with a further potential \$2 billion in milestone payments, SV BCOF continues to invest in Nimbus, having joined the company's Series 2023 fundraising round. Nimbus' clinical trial of HPK1i in solid tumours has generated positive preliminary data, demonstrating clinical benefit as a monotherapy in patients.

While the market remains very active for crossover rounds in both the US and Europe, it is increasingly competitive with many of the larger funds participating in size. With the recent signs of market recovery, we are also seeing a revival of the crossover market.

**BioAge**, SV BCOF's latest investment and its first in the obesity field, is a great example of how SV BCOF can invest meaningfully alongside much larger crossover funds in oversubscribed "hot" deals by leveraging SV Health's relationships and value-added expertise.

### Portfolio positioning

Our investment strategy remains focused on identifying companies with innovative technologies, strong intellectual property and solid growth potential. This is a constant feature of our investment approach, but within the biotechnology industry we find these businesses can change over time, as can our appetite for risk.

During the period under review, having seen early signs of renewed vitality in earlier-stage small-cap biotechnology, we elected to increase the portfolio's gearing from 9% to a peak of 16% in October 2023, confident that this recovery would continue to gather momentum. This stood the portfolio in good stead through the biotechnology rally of late 2023. We have subsequently reduced gearing to 4% but the portfolio remains well exposed to small and mid-cap biotechnology, where we are finding very attractive opportunities with substantial scope for value creation. Our increased investment into carefully selected smaller earlier-stage companies has intentionally increased the volatility profile of the portfolio, as we believe a higher beta positioning will prove beneficial to shareholders in the period ahead.

By subsector, 33.4% of the portfolio is currently invested in early-stage biotechnology, 25.1% in mid-stage revenue growth companies, and 41.5% in later-stage, profitable businesses. With 66.6% of the portfolio invested in companies that have successfully negotiated the high risk approval process and already have commercial product on the market, we believe we have an appropriately balanced and diversified portfolio for the current environment. The presence of late-stage, profitable businesses helps to mitigate risk while providing us with sufficient opportunity to capture the higher growth potential that exists further down the biotechnology market cap spectrum.

### Outlook

We believe the biotechnology sector shows considerable promise for 2024. Despite the recent rally, the Reference Index remains below its peak of 2021 and valuations are generally reasonable, suggesting significant future upside potential, given the sector's accelerating pace of innovation and improved competitiveness following consolidation. The number of new drug approvals is high

and on a clear upward trend, particularly for medical conditions previously considered untreatable.

The potential for further M&A activity is another positive feature of the outlook, as large, cash-rich pharmaceutical companies seek to fill gaps in their pipelines and replace expiring patents by buying smaller biotechnology businesses. The implementation of the US Inflation Reduction Act, which may negatively impact the pricing of key established drugs sold by large pharmaceutical companies, could increase the demand for innovative biotechnology still further.

The renewed appetite for IPOs and secondary fundraisings is also encouraging, with positive implications for investors and – the ultimate beneficiary of medical innovation – society as a whole. As always, there are reasons for near-term caution, particularly at this stage in the US election cycle. Meanwhile, geopolitical tensions and key monetary policy decisions could negatively impact investor sentiment in general.

Nevertheless, we believe the macro positives outweigh the negatives and see many additional reasons for optimism within the portfolio. A notable product launch to watch in 2024 is Biogen and Eisai's Leqembi for Alzheimer's disease, which will be closely monitored for market acceptance and efficacy.

Clinical data releases should also be significant in 2024. Alnylam Pharmaceuticals' TTR franchise study results could impact the treatment of diseases associated with transthyretin protein mutations, thought to be an underlying issue for several deadly genetic diseases. Vera Therapeutics' Atacept in IgA nephropathy and Vertex Pharmaceuticals' non-addictive treatments for acute and chronic pain are also of interest. Meanwhile, Intra-Cellular's Caplyta and Argenx's Vyvgart, both "pipeline in a product" opportunities, offer substantial potential for growth across multiple health indications.

### Conclusion

The Company delivered a solid performance during the period under review and, with the biotechnology sector poised for positive performance in 2024, we are confident this will continue. Valuations are reasonable, innovation is ongoing, consolidation has improved investment opportunities and we are seeing evidence of renewed support of the sector by investors.

Selective investment in attractively valued biotechnology companies with outstanding technology and future earnings potential is key to unlocking long-term value in the sector. Our rigorous investment process and active management strategies have delivered positive results for our shareholders over the three years since we took over as lead Fund Managers of the Company. We remain committed to our investment approach and, by continuing to deploy the same disciplined process, we believe we will continue to successfully identify attractive investment opportunities in the biotechnology sector. We appreciate your continued support and confidence in our management of the Company.

**Ailsa Craig and Marek Poszepczynski**

Fund Managers

7 May 2024

# Investment Portfolio

as at 29 February 2024

## Quoted investments

### Equities

Investment	Therapeutic area	Geographic location	As at 29 February 2024	
			£'000	%
Cytokinetics	Other	United States	14,474	4.7
Supernus Pharmaceuticals	Central nervous system	United States	12,721	4.2
Gilead Sciences	Infectious Diseases	United States	11,960	3.9
BioMarin Pharmaceutical	Rare diseases	United States	11,786	3.9
Vera Therapeutics	Auto-immune	United States	11,731	3.8
United Therapeutics	Rare diseases	United States	10,729	3.5
Incyte Genomics	Oncology	United States	10,398	3.4
Amgen	Oncology	United States	9,793	3.2
BeiGene	Oncology	United States	9,672	3.2
Alnylam Pharmaceuticals	Rare diseases	United States	9,640	3.2
Jazz Pharmaceuticals	Rare diseases	Europe	8,778	2.9
Ultragenyx Pharmaceutical	Rare diseases	United States	7,201	2.4
Astrazeneca	Oncology	United Kingdom	6,778	2.2
Regeneron Pharmaceutical	Ophthalmology	United States	6,750	2.2
Iovance Biotherapeutics	Oncology	United States	6,712	2.2
Harmony Biosciences	Rare diseases	United States	5,755	1.9
Biogen Inc	Central nervous system	United States	5,745	1.9
Uniqure	Haematology	Europe	5,624	1.8
Illumina Inc	Oncology	United States	5,580	1.8
Genmab	Oncology	Europe	5,321	1.7
Halozyne	Oncology	United States	5,206	1.7
Amicus	Rare diseases	United States	5,165	1.7
ArgenX	Auto-immune	Europe	5,021	1.6
Krystal Biotech	Rare diseases	United States	4,978	1.6
Aurinia Pharmaceuticals	Auto-immune	United States	4,705	1.5
Intra-Cellular Therapies	Central nervous system	United States	4,594	1.5
EyePoint Pharmaceuticals	Ophthalmology	United States	3,873	1.3
Axsome Therapeutics	Central nervous system	United States	3,749	1.2
Erasca	Oncology	United States	3,624	1.2
BioNTech	Other	Europe	3,615	1.2
Xenon Pharmaceuticals	Other	Canada	3,409	1.1
Madrigal Pharmaceuticals	Liver	United States	3,406	1.1
Neurocrine Biosciences	Central nervous system	United States	2,973	1.0
Dyne Therapeutics	Rare diseases	United States	2,919	1.0
Structure Therapeutics	Other	United States	2,918	1.0
Zai Lab Ltd	Oncology	United States	2,396	0.8
Pharming	Rare diseases	Europe	2,203	0.7

**Investment Portfolio**  
as at 29 February 2024  
continued

Investment	Therapeutic area	Geographic location	As at 29 February 2024	
			£'000	%
Rocket Pharmaceuticals	Rare diseases	United States	2,193	0.7
Marinus Pharmaceuticals	Central nervous system	United States	2,178	0.7
Apellis Pharmaceuticals	Rare diseases	United States	1,978	0.6
Legend Biotech	Oncology	United States	1,957	0.6
Celldex	Auto-immune	United States	1,827	0.6
Blueprint Medicines	Oncology	United States	1,739	0.6
Sarepta Therapeutics	Rare diseases	United States	1,737	0.6
Revance Therapeutic	Other	United States	1,630	0.5
Bridgebio	Rare diseases	United States	1,584	0.5
Ionis Pharmaceuticals	Rare diseases	United States	1,536	0.5
CRISPR Therapeutics	Rare diseases	Europe	1,531	0.5
Mirum Pharmaceuticals	Oncology	United States	1,530	0.5
Bio-Techne	Other	United States	1,379	0.5
Immatics	Oncology	Europe	1,359	0.4
Camurus	Rare diseases	Europe	1,338	0.4
Kalvista Pharmaceuticals	Rare diseases	United States	1,270	0.4
Relay Therapeutics	Oncology	United States	1,216	0.4
Acadia Pharmaceuticals	Central nervous system	United States	1,132	0.4
Akero	Other	United States	1,108	0.4
Novocure	Oncology	Europe	896	0.3
Insmed Inc	Rare diseases	United States	878	0.3
Immunocore	Oncology	United Kingdom	743	0.2
Beam Therapeutics	Rare diseases	United States	733	0.2
Travere Therapeutics	Auto-immune	United States	622	0.2
Arvinas	Oncology	United States	617	0.2
Agios Pharmaceuticals	Rare diseases	United States	613	0.2
Intellia Therapeutics	Rare diseases	United States	609	0.2
Guardant Health	Other	United States	548	0.2
Protagonist Therapeutics	Haematology	United States	477	0.2
I Mab	Oncology	United States	432	0.1
Vir Biotechnology	Infectious Diseases	United States	418	0.1
Amylyx	Central nervous system	United States	389	0.1
Prothena	Central nervous system	Europe	327	0.1
Kezar Life Sciences	Oncology	United States	288	0.1
Ventyx Biosciences	Auto-immune	United States	84	0.0
Relmada Therapeutics	Central nervous system	United States	48	0.0
<b>Total equities</b>			<b>280,846</b>	<b>92.1</b>

## Unquoted investments

### Investments held through a venture fund

Investment	Sector Classification	Geographic location	As at 29 February 2024	
			£'000	%
SV Fund VI	Venture Fund	United States	13,230	4.3
SV BCOF	Venture Fund	United Kingdom	5,770	1.9
<b>Total investments held through a venture fund</b>			<b>19,000</b>	<b>6.2</b>

### Exited investments with contingent milestones

Exited unquoted companies for which the Company retains rights to receive future contingent performance-based payments are shown below:

Investment	Therapeutic area	Geographic location	As at 29 February 2024	
			£'000	%
Ikano Therapeutics	Auto-immune	United States	4,520	1.5
Convergence	Auto-immune	United States	321	0.1
Topivert	Other	United Kingdom	40	0.0
<b>Total exited investments with contingent milestones</b>			<b>4,881</b>	<b>1.6</b>

### Directly-held unquoted investments

Directly-held unquoted investments held by the Company are shown below:

Investment	Therapeutic area	Geographic location	As at 29 February 2024	
			£'000	%
Autifony Therapeutics	Other	United Kingdom	341	0.1
<b>Total directly-held unquoted investments</b>			<b>341</b>	<b>0.1</b>

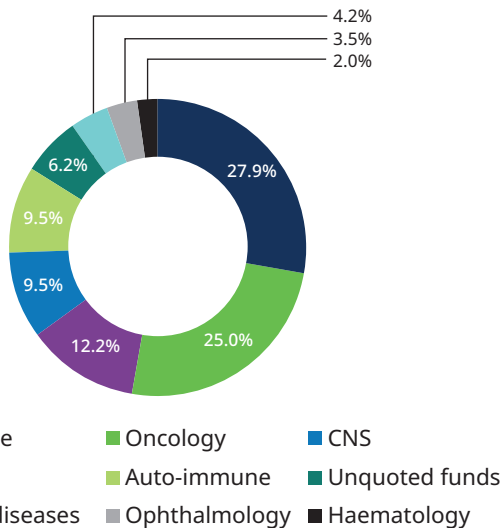
Investments in unquoted companies that have previously been written down to nil net book value, but where ownership in the company is retained, are not disclosed in this table.

## Summary of investments

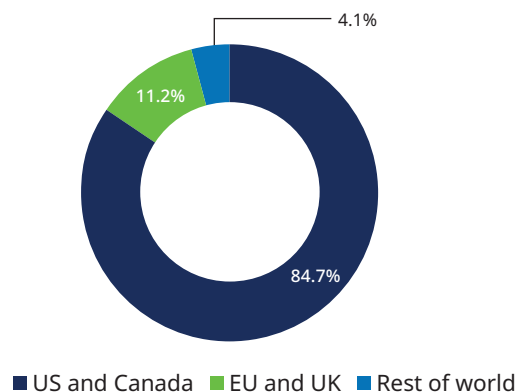
	As at 29 February 2024	
	£'000	%
<b>Equities</b>	<b>280,846</b>	<b>92.1</b>
<b>Investments held through a venture fund</b>	<b>19,000</b>	<b>6.2</b>
<b>Exited investments with contingent milestones</b>	<b>4,881</b>	<b>1.6</b>
<b>Directly-held unquoted investments</b>	<b>341</b>	<b>0.1</b>
<b>Total investments</b>	<b>305,068</b>	<b>100.0</b>

**Portfolio composition**

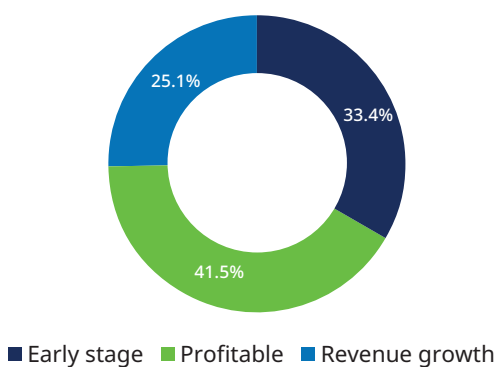
**Therapeutic area**



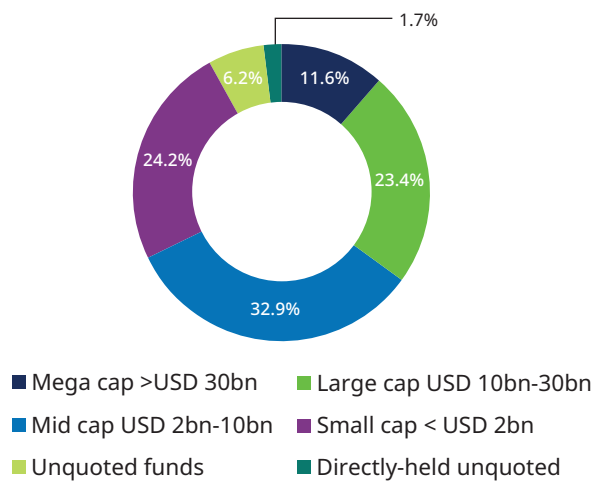
**Geography**



**Development stage**



**Size**





As at 29 February 2024, the Company's top 10 quoted portfolio companies, as rated by Morningstar's Sustainalytics platform, contained nine Medium risk companies and one High risk company. The top 10 quoted portfolio companies currently account for c.40% of NAV. This compares favourably to the ESG review at the Company's year end in August 2023 at which point 40% of the top 10 were High risk companies. For context, in the healthcare sector as a whole, Sustainalytics ranks the universe as 9% Low risk, 43% Medium risk, 34% High risk and 14% Severe risk, and in the biotechnology sector alone, 4% are Low risk, 82% are Medium risk, 14% are High risk and none are Severe risk. It is interesting to note that Sustainalytics judges the biotechnology sector's ESG risk more favourably than that of the pharmaceutical sector.

Looking deeper than the headline Sustainalytics rating, the top 10 quoted holdings all have "Medium" Exposure to different material ESG issues while 90% have an "Average" management score and 10% a "Strong" management score. The management score quantifies the extent to which the company is managing ESG risk and issues. This is a significant improvement since August 2023 when two of the top 10 companies were judged to have "Weak" management scores.

In the annual report for the year ended August 2023, Vera Therapeutics was singled out as one that the managers would be engaging with over the coming months to address their then "Weak" management score. We are pleased to note that the company has significantly improved its rating and management is now ranked as "Average" in terms of its ability to manage the company's ESG risk exposure. Vera's overall ESG rating is the most improved of our top 10 over the past six months and it now ranks in the 43rd percentile of biotechnology companies, up from the 98th percentile last August. In fact, all but one of the top 10 are in the top half of the biotechnology companies when ranked by Sustainalytics' ESG risk ratings.

The Supernus Pharma overall rating as High risk stands out in the top 10. Sustainalytics describes its ESG disclosure as "Very poor" or "Weak" in areas such as whistleblower policy, bribery and corruption policy and diversity policy. The Company's managers will raise this with Supernus' management in their regular engagement with them. The Company invests in Supernus because it is one of the leading companies working in the central nervous system space, which is seeking to address neurological conditions including some that are at the heart of the growing mental health crisis.

The Alnylam Pharmaceuticals score puts it in the 70th percentile with the main issues identified centring on "Product Governance", which refers to how companies manage responsibilities to their clients, focusing on quality management systems, marketing practices, fair billing and post-sales responsibility. The Company owns Alnylam because it is a leading player in the cutting-edge development of RNA interference therapeutics to address high unmet medical need in the rare disease space. The Company's Fund Managers regularly meet Alnylam's management team and will engage with them on the issues raised by Sustainalytics.

During the period under review, there have been very few voting events given that most of our companies, as is common in the US, have December year ends and hence hold their general meetings in the second half of the Company's financial year.

As a global investment manager and signatory to the UN Global Compact, Schroders is committed to sustainability recognising it has an important part to play in shaping the future for all its stakeholders. Its corporate sustainability strategy is embedded into its business, applying the same values and high standards to its own business that it asks of the companies in which it invests.

In its role as an investment manager, Schroders integrates ESG factors alongside traditional financial analysis into investment decision making across its managed assets on the belief that this is fundamental to its goal of delivering attractive long-term returns for its clients. To this end, investment teams, including the Company's Fund Managers, can leverage a centralised sustainable investment platform that includes active ownership expertise, integration support as well as proprietary and third party ESG tools. This platform provides a framework and resources that the Company can draw upon when assessing ESG factors, as part of the stock analysis and investment process, while it also provides an improved ESG reporting capability at both the stock level and for the overall portfolio. There is currently an on-going review of the Company's ESG policy that includes an internal integration accreditation process that each investment strategy in Schroders must undertake in collaboration with the Sustainable Investment team. The goal is to formally outline and demonstrate within the investment process how ESG risks are integrated, including which tools are used. This process is expected to be concluded over the next six months and an updated ESG policy outlined in the 2024 Annual Report.

Top ten Quoted Holdings	ESG Risk Score	ESG Risk Rating	Momentum	Percentile (vs Biotech sector)	Exposure*	Management **
1 Cytokinetics	21.5	Medium	Improving	7th	Medium	Strong
2 Supernus Pharmaceuticals	32.0	High	Deteriorating	N/A***	Medium	Average
3 Gilead Sciences	22.7	Medium	Improving	11th	Medium	Average
4 BioMarin Pharmaceutical	24.1	Medium	Improving	19th	Medium	Average
5 Vera Therapeutics	26.5	Medium	Improving	43rd	Medium	Average
6 United Therapeutics	22.7	Medium	Deteriorating	12th	Medium	Average
7 Incyte Genomics	24.8	Medium	Deteriorating	24th	Medium	Average
8 Amgen	23.8	Medium	Deteriorating	16th	Medium	Average
9 BeiGene	24.1	Medium	Improving	18th	Medium	Average
10 Alnylam Pharmaceuticals	28.4	Medium	Improving	70th	Medium	Average

Source: Sustainalytics 29 February 2024

\* The extent to which a company is exposed to different material ESG issues.

\*\* How well a company is managing its relevant ESG issues, looking at robustness of ESG programmes, practices and policies.

\*\*\* Supernus is classed as a pharmaceutical company so its ranking in the 37th percentile of pharmaceutical companies is not comparable with the rest of the top 10.

## Interim Management Statement

### Principal risks and uncertainties

The principal risks and uncertainties in the Company's business fall into the following risk categories: strategic/performance; political; investment related; operational and service provider and tax, legal and regulatory. A detailed explanation of the key risks and uncertainties in each of these categories can be found on pages 27 to 29 of the Company's published annual report and financial statements for the year ended 31 August 2023.

These risks and uncertainties have not materially changed during the six months ended 29 February 2024. However, the Board undertook a review of the principal and emerging risks for the Company while reviewing these financial statements and is pleased to note that following the smooth transition of the investment mandate together with the change in several service providers the associated risk has significantly reduced. The Directors also noted that geopolitical and climate change risk in particular continue to develop and will be reported on in the next annual report as appropriate.

### Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 30 of the published annual report and financial statements for the year ended 31 August 2023, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

### Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 29 February 2024.

### Directors' responsibility statement

In respect of the half year report for the six months ended 29 February 2024, we confirm that, to the best of our knowledge:

- the condensed set of Financial Statements contained within have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as at 29 February 2024 as required by the Disclosure Guidance and Transparency Rule 4.2.4R;
- the half year report includes a fair review as required by Disclosure Guidance and Transparency Rule 4.2.7R, of important events that have occurred during the six months to 29 February 2024 and their impact on the condensed set of Financial Statements, and a description of the principal and emerging risks for the remaining six months of the financial year; and
- the half year report includes a fair review of the information concerning related party transactions as required by the Disclosure Guidance and Transparency Rule 4.2.8R.

The half year report has not been reviewed or audited by the Company's auditors.

The half year report for the six months ended 29 February 2024 was approved by the Board on 7 May 2024 and the above responsibility statement was signed on its behalf by the Chair.

**Kate Cornish-Bowden**

Chair

7 May 2024



# Financial

## **Financial**

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## Statement of Comprehensive Income

for the six months ended 29 February 2024 (unaudited)

	Note	(Unaudited) For the six months ended 29 February 2024			(Unaudited) For the six months ended 28 February 2023			(Audited) For the year ended 31 August 2023		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss		-	31,764	31,764	-	18,294	18,294	-	9,606	9,606
Net foreign currency gains		-	629	629	-	564	564	-	1,591	1,591
Income	4	650	-	650	447	-	447	863	-	863
<b>Total income</b>		<b>650</b>	<b>32,393</b>	<b>33,043</b>	<b>447</b>	<b>18,858</b>	<b>19,305</b>	<b>863</b>	<b>11,197</b>	<b>12,060</b>
<b>Expenses</b>										
Management fee		(799)	-	(799)	(873)	-	(873)	(1,810)	-	(1,810)
Performance fee	10	-	(1,859)	(1,859)	-	(199)	(199)	-	(514)	(514)
Administrative expenses		(721)	-	(721)	(659)	-	(659)	(1,559)	-	(1,559)
<b>Profit/(loss) before finance costs and taxation</b>		<b>(870)</b>	<b>30,534</b>	<b>29,664</b>	<b>(1,085)</b>	<b>18,659</b>	<b>17,574</b>	<b>(2,506)</b>	<b>10,683</b>	<b>8,177</b>
Finance costs		(1,260)	-	(1,260)	(560)	-	(560)	(1,242)	-	(1,242)
<b>Profit/(loss) before taxation</b>		<b>(2,130)</b>	<b>30,534</b>	<b>28,404</b>	<b>(1,645)</b>	<b>18,659</b>	<b>17,014</b>	<b>(3,748)</b>	<b>10,683</b>	<b>6,935</b>
Taxation		(71)	-	(71)	(54)	-	(54)	(122)	-	(122)
<b>Net profit/(loss) for the period/year</b>		<b>(2,201)</b>	<b>30,534</b>	<b>28,333</b>	<b>(1,699)</b>	<b>18,659</b>	<b>16,960</b>	<b>(3,870)</b>	<b>10,683</b>	<b>6,813</b>
<b>Earnings/(loss) per share (pence)</b>	5	<b>(5.66)</b>	<b>78.53</b>	<b>72.87</b>	<b>(4.17)</b>	<b>45.74</b>	<b>41.57</b>	<b>(9.53)</b>	<b>26.32</b>	<b>16.79</b>

The "Total" column of this statement represents the Company's Statement of Comprehensive Income prepared in accordance with IFRS.

The Company does not have any other comprehensive income and hence the net profit/(loss) for the period/year, as disclosed above, is the same as the Company's total comprehensive income.

The "Revenue" and "Capital" columns represent supplementary information prepared under guidance set out in the Statement of Recommended Practice for investment trust companies (the "SORP") issued by The Association of Investment Companies in July 2022.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 22 to 24 form part of these Financial Statements.

## Statement of Changes in Equity

for the six months ended 29 February 2024 (unaudited)

	Called-up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 September 2023	10,346	29,873	31,482	249,147	(50,531)	270,317
Net profit/(loss) for the period	-	-	-	30,534	(2,201)	28,333
Dividend paid in the period	-	-	-	(5,391)	-	(5,391)
Repurchase of ordinary shares into treasury	-	-	-	(6,750)	-	(6,750)
<b>At 29 February 2024</b>	<b>10,346</b>	<b>29,873</b>	<b>31,482</b>	<b>267,540</b>	<b>(52,732)</b>	<b>286,509</b>

for the six months ended 28 February 2023 (unaudited)

	Called-up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 September 2022	10,346	29,873	31,482	259,849	(46,661)	284,889
Net profit/(loss) for the period	-	-	-	18,659	(1,699)	16,960
Dividend paid in the period	-	-	-	(5,707)	-	(5,707)
Repurchase of ordinary shares into treasury	-	-	-	(646)	-	(646)
<b>At 28 February 2023</b>	<b>10,346</b>	<b>29,873</b>	<b>31,482</b>	<b>272,155</b>	<b>(48,360)</b>	<b>295,496</b>

for the year ended 31 August 2023 (audited)

	Called-up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 September 2022	10,346	29,873	31,482	259,849	(46,661)	284,889
Net profit/(loss) for the year	-	-	-	10,683	(3,870)	6,813
Dividend paid in the year	-	-	-	(11,407)	-	(11,407)
Repurchase of ordinary shares into treasury	-	-	-	(9,978)	-	(9,978)
<b>At 31 August 2023</b>	<b>10,346</b>	<b>29,873</b>	<b>31,482</b>	<b>249,147</b>	<b>(50,531)</b>	<b>270,317</b>

The notes on pages 22 to 24 form part of these Financial Statements.

## Statement of Financial Position

as at 29 February 2024 (unaudited)

	Note	(Unaudited) 29 February 2024 £'000	(Unaudited) 28 February 2023 £'000	(Audited) 31 August 2023 £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss		305,068	321,668	301,904
<b>Current assets</b>				
Receivables		6,474	9,525	2,967
Cash and cash equivalents		9,227	-	-
		<b>15,701</b>	<b>9,525</b>	<b>2,967</b>
<b>Total assets</b>		<b>320,769</b>	<b>331,193</b>	<b>304,871</b>
<b>Current liabilities</b>				
Loan		(27,669)	-	-
Overdraft		-	(24,193)	(32,474)
Payables		(6,591)	(11,504)	(2,080)
		<b>(34,260)</b>	<b>(35,697)</b>	<b>(34,554)</b>
<b>Net assets</b>		<b>286,509</b>	<b>295,496</b>	<b>270,317</b>
<b>Equity attributable to shareholders</b>				
Called-up share capital		10,346	10,346	10,346
Share premium		29,873	29,873	29,873
Capital redemption reserve		31,482	31,482	31,482
Capital reserves		267,540	272,155	249,147
Revenue reserve		(52,732)	(48,360)	(50,531)
<b>Total equity attributable to shareholders</b>		<b>286,509</b>	<b>295,496</b>	<b>270,317</b>
<b>Net asset value per share (pence)</b>	9	<b>748.90</b>	<b>724.88</b>	<b>687.51</b>

The notes on pages 22 to 24 form part of these Financial Statements.

International Biotechnology Trust plc

Registered in England and Wales as a public company limited by shares.

Company registration number: 02892872

## Cash Flow Statement

for the six months ended 29 February 2024 (unaudited)

	(Unaudited) For the six months ended 29 February 2024 £'000	(Unaudited) For the six months ended 28 February 2023 £'000	(Audited) For the year ended 31 August 2023 £'000
<b>Operating activities</b>			
Profit/(loss) before taxation	28,404	17,014	6,935
Adjustments for:			
(Increase)/decrease in investments	(3,164)	5,378	21,006
Gains on foreign exchange	(629)	(564)	(1,588)
Increase in receivables	(3,507)	(99)	(25)
Increase/(decrease) in payables	4,511	(112)	1,082
Taxation paid	(71)	(45)	(111)
<b>Net cash inflow from operating activities</b>	<b>25,544</b>	<b>21,572</b>	<b>27,299</b>
<b>Financing activities</b>			
Repurchase of ordinary shares into treasury	(6,750)	(646)	(9,978)
Bank loan drawdown	38,143	-	-
Bank loan repayment	(9,836)	-	-
Dividends paid	(5,391)	(5,707)	(11,407)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>16,166</b>	<b>(6,353)</b>	<b>(21,385)</b>
<b>Increase in cash and cash equivalents</b>	<b>41,710</b>	<b>15,219</b>	<b>5,914</b>
Cash and cash equivalents at the beginning of the period/year	(32,474)	(39,976)	(39,976)
Effect of foreign exchange rates	(9)	564	1,588
<b>Cash and cash equivalents at the end of the period/year</b>	<b>9,227</b>	<b>(24,193)</b>	<b>(32,474)</b>

The notes on pages 22 to 24 form part of these Financial Statements.

# Notes to the Financial Statements

## 1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's independent auditor.

The figures and financial information for the year ended 31 August 2023 are extracted from the latest published financial statements of the Company and do not constitute statutory financial statements for that year. Those financial statements have been delivered to the Registrar of Companies, and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory financial statements of the Company for the year ended 31 August 2023. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by The Association of Investment Companies in July 2022, is consistent with the requirements of International Financial Reporting Standards, the financial statements have been prepared on a basis compliant with the recommendations of the SORP.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these financial statements are consistent with those applied in the financial statements for the year ended 31 August 2023.

## 3. Taxation

The tax charge comprises irrecoverable overseas withholding tax.

## 4. Income

	(Unaudited) For the six months ended 29 February 2024 £'000	(Unaudited) For the six months ended 28 February 2023 £'000	(Audited) For the year ended 31 August 2023 £'000
Income from investments held at fair value through profit or loss:			
Unfranked dividends	473	360	22
Franked dividends	104	80	818
	<b>577</b>	<b>440</b>	<b>840</b>
Other income:			
Bank interest	73	7	23
	<b>650</b>	<b>447</b>	<b>863</b>

## 5. Earnings/(loss) per share

	(Unaudited) For the six months ended 29 February 2024 £'000	(Unaudited) For the six months ended 28 February 2023 £'000	(Audited) For the year ended 31 August 2023 £'000
Net revenue loss	(2,201)	(1,699)	(3,870)
Net capital profit	30,534	18,659	10,683
	<b>28,333</b>	<b>16,960</b>	<b>6,813</b>
Weighted average number of shares in issue*	38,879,847	40,794,704	40,583,458
Revenue loss per share (pence)	(5.66)	(4.17)	(9.53)
Capital profit per share (pence)	78.53	45.74	26.32
Total earnings per share (pence)	<b>72.87</b>	<b>41.57</b>	<b>16.79</b>

\*Excluding those held in treasury (29 February 2024: 3,126,410; 28 February 2023: 618,988; 31 August 2023: 2,065,634).



## 6. Investments held at fair value through profit or loss

The Company's portfolio of investments, comprising investments in companies and any derivatives, are carried in the Statement of Financial Position at fair value. Other financial instruments held by the Company comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash and drawings on the credit facility. For these instruments, the Statement of Financial Position amount is a reasonable approximation of fair value. The recognition and measurement policies for financial instruments measured at fair value have not changed from those set out in the statutory financial statements of the Company for the year ended 31 August 2023.

The investments in the Company's portfolio are categorised into a hierarchy comprising the following three levels:

Level 1 – valued using quoted prices in active markets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

At 29 February 2024, the Company's investment portfolio and derivative financial instruments were categorised as follows:

	(Unaudited) At 29 February 2024 £'000	(Unaudited) At 28 February 2023 £'000	(Audited) At 31 August 2023 £'000
Level 1	280,846	286,934	276,642
Level 2	–	–	–
Level 3	24,222	34,734	25,262
<b>Total</b>	<b>305,068</b>	<b>321,668</b>	<b>301,904</b>

There have been no transfers between Levels 1, 2 or 3 during the period/year (period ended 28 February 2023 and year ended 31 August 2023: nil).

## 7. Dividends paid

	(Unaudited) For the six months ended 29 February 2024 £'000	(Unaudited) For the six months ended 28 February 2023 £'000	(Audited) For the year ended 31 August 2023 £'000
First interim dividend of 13.90p (2023: 14.00p)	5,391	5,707	5,707
Second interim dividend of 14.20p	–	–	5,700
<b>Total dividends paid in the period/year</b>	<b>5,391</b>	<b>5,707</b>	<b>11,407</b>

## 8. Share capital

Changes in the number of shares in issue during the period/year were as follows:

	(Unaudited) For the six months ended 29 February 2024	(Unaudited) For the six months ended 28 February 2023	(Audited) For the year ended 31 August 2023
Ordinary shares of 25p each, allotted, called-up and fully paid			
Opening balance of shares in issue, excluding shares held in treasury	39,318,183	40,863,009	40,863,009
Repurchase of shares into treasury	(1,060,776)	(98,180)	(1,544,826)
Closing balance of shares in issue, excluding shares held in treasury	38,257,407	40,764,829	39,318,183
Shares held in treasury	3,126,410	618,988	2,065,634
<b>Closing balance of shares in issue</b>	<b>41,383,817</b>	<b>41,383,817</b>	<b>41,383,817</b>

## Notes to the Financial Statements

continued

### 9. Net asset value per share

	(Unaudited) At 29 February 2024	(Unaudited) At 28 February 2023	(Audited) At 31 August 2023
Net assets attributable to shareholders (£'000)	286,509	295,496	270,317
Ordinary shares in issue at end of period/year*	38,257,407	40,764,829	39,318,183
Net asset value per share (pence)	748.90	724.88	687.51

\*Excludes those held in treasury (29 February 2024: 3,126,410; 28 February 2023: 618,988; 31 August 2023: 2,065,634).

### 10. Related party transactions

There have been no related party transactions that have materially affected the financial position or the performance of the Company during the six month period to 29 February 2024.

#### a) Transactions with the AIFM/Investment Manager

With effect from 20 November 2023, Schroder Unit Trusts Limited ("SUTL") was appointed as the Company's Alternative Investment Fund Manager ("AIFM"). SUTL agreed to waive the management fee for the first six months from 20 November 2023, after which the management fee payable by the Company on its quoted portfolio will be 0.7% per annum.

Details of the previous management fee arrangement with SV Health Managers LLP are given in the Directors' Report on page 41 of the Annual Report for the year ended 31 August 2023.

	(Unaudited) At 29 February 2024 £'000	(Unaudited) At 28 February 2023 £'000	(Audited) At 31 August 2023 £'000
Management fee paid by the Company directly to SUTL	–**	–	–
Management fee paid through unquoted funds to SV Health Managers LLP	354	428	791
Management fee paid by the Company directly to SV Health Managers LLP	799*	873	1,810
Accounting and administration fee payable by the Company directly to SUTL	28	–	–
<b>Total</b>	<b>1,181</b>	<b>1,301</b>	<b>2,601</b>

\* Includes a termination fee of £289,000 paid to SV Health Managers LLP.

\*\* SUTL have agreed to a waiver of six months management fees from 20 November 2023 to 20 May 2024 under the terms of the new Alternative Investment Fund Management Agreement.

A performance fee of £1,859,000 was accrued for the six month period ended 29 February 2024 (28 February 2023: £199,000; 31 August 2023: £514,000). Of the £1,859,000 accrued, £177,000 was payable to SV Health Managers LLP and £1,682,000 was accrued to SUTL.

SV Health Managers LLP will continue to provide ongoing investment management advice to the Company in respect of the exited investments with contingent milestones and the directly held unquoted investments in consideration for payment of a performance fee on the same terms as previously set out in the Directors' Report on page 41 of the Annual Report for the year ended 31 August 2023.

#### b) Directors' remuneration

The Directors of the Company are key management personnel. The total remuneration payable to Directors in respect of the six months ended 29 February 2024 was £132,000 (28 February 2023: £84,000), of which £132,000 (28 February 2023: £nil), was outstanding at the period end.

This includes a one off fee of £47,000 for the additional work in relation to the change of AIFM.

### 11. Events after the reporting period

The Directors have evaluated the period since the half year date and have not noted any significant events after the end of the reporting period to the date of this half year report requiring disclosure.

# Other Information

## **Other Information**

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## Alternative Performance Measures (“APMs”) and Definition of Financial Terms

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified as APMs as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework. APMs have been marked with an asterisk.

### Net asset value (“NAV”) per share\*

The NAV per share of 748.90p (31 August 2023: 687.51p) represents the net assets attributable to equity shareholders of £286,509,000 (31 August 2023: £270,317,000) divided by the number of shares in issue of 38,257,407, excluding treasury shares (31 August 2023: 39,318,183, excluding treasury shares).

The change in the NAV per share amounted to 8.9% (year ended 31 August 2023: -1.4%) over the period. However this performance measure excludes the positive impact of dividends paid out by the Company during the period. When these dividends are factored into the calculation, the resulting performance measure is termed the “total return”. Total return calculations and definitions are given below.

### Total return\*

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the period ended 29 February 2024 is calculated as follows:

Opening NAV per share at 31/8/23	687.51p
Closing NAV per share at 29/2/24	748.90p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
13.90p	21/12/23	670.18	1.0207	1.0207

NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV: +11.2%

The NAV total return for the year ended 31 August 2023 is calculated as follows:

Opening NAV per share at 31/8/22	697.20p
Opening NAV per share at 31/8/23	687.51p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
14.00p	30/12/22	718.05	1.0195	1.0195
14.20p	28/7/23	692.05	1.0205	1.0404

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage increase in the opening NAV: +2.7%

The share price total return for the period ended 29 February 2024 is calculated as follows:

Share price at 31/8/23	644.00p
Share price at 29/2/24	684.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
13.90p	21/12/23	604.00p	1.0230	1.0230

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price: 8.7%

The share price total return for the year ended 31 August 2023 is calculated as follows:

Share price at 31/8/22	651.50p
Share price at 31/8/23	644.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
14.00p	30/12/22	706.00p	1.0198	1.0198
14.20p	28/7/23	646.00p	1.0220	1.0422

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage increase in the opening share price: 3.0%

### Reference Index

The measure against which the Company compares its performance. The Reference Index is the NASDAQ Biotechnology Index (with dividends reinvested) sterling adjusted.

### Discount/premium\*

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. If shares are trading at a discount, investors would be paying less than the value attributable to the shares by reference to the underlying assets. A premium or discount is generally the consequence of supply and demand for the shares on the stock market. The discount or premium is expressed as a percentage of the NAV per share. The discount at the period end amounted to 8.7% (31 August 2023: 6.3%), as the closing share price at 684.00p (31 August 2023: 644.00p) was 8.7% (31 August 2023: 6.3%) lower than the closing NAV per share of 748.90p (31 August 2023: 687.51p).

## Gearing\*

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Gearing is defined as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the relevant period/year end is calculated as follows:

	29 February 2024 £'000	31 August 2023 £'000
Borrowings used for investment purposes, less cash	18,442	32,474
Net assets	286,509	270,317
Gearing	6.4%	12.0%

## Leverage\*

For the purpose of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

## Yield\*

Yield is calculated as the sum of the last two dividends declared, expressed as a percentage of the current share price. The last two dividends declared amounted to 28.1p (August 2023: 28.2p) per share.

## Ongoing charges\*

Ongoing charges is calculated in accordance with The Association of Investment Companies recommended methodology and represents the total annualised operating expenses payable including any management fee excluding finance costs, transaction costs and performance fees, amounting to £3,505,000 (31 August 2023: £4,160,000), expressed as a percentage of the average daily net asset values during the period of £263,202,000 (31 August 2023: £289,512,000).

## Shareholder Information

### Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments.

These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the Financial Conduct Authority ("FCA") before getting involved by visiting [register.fca.org.uk](https://register.fca.org.uk)
- Report the matter to the FCA by calling 0800 111 6768 or visiting [fca.org.uk/consumers/report-scam-unauthorised-firm](https://fca.org.uk/consumers/report-scam-unauthorised-firm)
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at [fca.org.uk/consumers/unauthorised-firms-individuals#list](https://fca.org.uk/consumers/unauthorised-firms-individuals#list).

More detailed information on this or similar activity can be found on the FCA website at [fca.org.uk/consumers/protect-yourself-scams](https://fca.org.uk/consumers/protect-yourself-scams).

### Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque.

Applications for an electronic mandate can be made by contacting the Registrar, Equiniti.

This is the most secure and efficient method of payment and ensures that you receive any dividends promptly.

If you do not have a UK bank or building society account, please contact Equiniti for details of their overseas payment service.

Further information can be found at [www.shareview.co.uk](https://www.shareview.co.uk), including how to register with Shareview Portfolio and manage your shareholding online.

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

### Directors

Kate Cornish-Bowden (Chair)  
Gillian Elcock  
Caroline Gulliver  
Patrick Magee  
Professor Patrick Maxwell

### Registered office

1 London Wall Place  
London EC2Y 5AU  
Tel: 020 7658 6000

### Advisers and service providers

#### Alternative Investment Fund Manager (the “Manager” or “AIFM”)

Schroder Unit Trusts Limited  
1 London Wall Place  
London EC2Y 5AU

#### Investment Manager and Company Secretary

Schroder Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU  
Telephone: +44 (0)20 7658 6000  
Email: [amcompanysecretary@schroders.com](mailto:amcompanysecretary@schroders.com)

#### Advisers for the unquoted portfolio

SV Health Managers LLP  
71 Kingsway  
London WC2B 6ST

#### Depositary and custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

#### Lending bank

The Bank of Nova Scotia, London Branch  
201 Bishopsgate  
6th Floor  
London EC2M 3NS

#### Corporate broker

Deutsche Numis  
45 Gresham Street  
London EC2V 7BF

### Independent auditor

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London WC2N 6RH

### Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder helpline: 0800 032 0641<sup>1</sup>  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

<sup>1</sup>Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address and telephone number above.

### Other information

#### Company number

02892872

#### Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's registered office.

#### Dealing codes

ISIN:	GB0004559349
SEDOL:	0455934
Ticker:	IBT0455934

#### Global Intermediary Identification Number (GIIN)

3AAT29.99999.SL.826

#### Legal Entity Identifier (LEI)

213800N1QUJ744P76D11

#### Privacy notice

The Company's privacy notice can be found on its web pages.

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