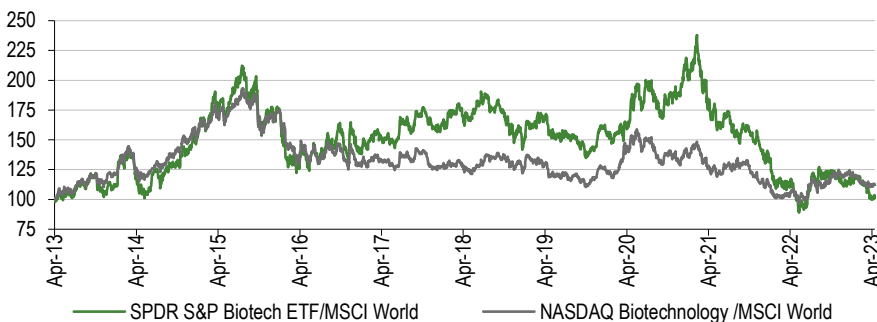


RTW Venture Fund

Finding value in the out-of-favour biotech sector

RTW Venture Fund (RTWVF) is focused on innovative biotech and medtech businesses that have clear pathways to delivering approved medicines and medical technologies to patients. It is managed by RTW Investments (RTW), a New York-headquartered, life sciences investment firm with offices in London and Shanghai. RTW takes a science-led, full-lifecycle approach to investing in both public and private opportunities, supporting companies at all stages of development via multiple capital solutions. Biotech stocks, in particular those of smaller-cap companies, fell out of favour in early 2021, but started to recover from mid-2022. RTW's managers are hopeful that the sector's positive fundamentals are starting to be appreciated again and that positive developments at portfolio companies will generate significant value for RTWVF's shareholders. The fund's largest holding recently received a takeover bid at a c 75% premium to its pre-bid share price.

Relative performance of biotech stocks over the last decade – positive industry fundamentals continue to be overlooked



Source: Refinitiv, Edison Investment Research. Note: Indices shown in US dollars.

The analyst's view

Rising interest rates and heightened investor aversion led to a major drawdown in biotech stocks between February 2021 and June 2022. However, long-term positive biotech industry fundamentals remain intact, including aging global populations and high levels of industry innovation, with faster introduction of new drug modalities. In addition, biotech company valuations, especially those of smaller businesses, are looking very attractive.

RTWVF offers investors an interesting way to gain exposure to the global biotech (c 87% of the fund) and medtech (c 13%) sectors. At end-March 2023, c 75% of the fund was invested in core holdings, both private and public companies. The remainder is invested in the 'other public portfolio', which mirrors positions in RTW's private funds, instead of holding cash, for future deployment into the core portfolio. RTWVF aims to generate NAV total returns above 20% pa over the medium term.

An uptick in industry merger and acquisition (M&A) activity could be very supportive for the performance of biotech stocks. This looks like a realistic outcome given that major pharma companies have large amounts of cash on their balance sheets and need to bolster their product pipelines ahead of upcoming patent cliffs.

Investment companies
Biotechnology and medtech

3 May 2023

Price **\$1.20**
Market cap **\$255m**
Net assets **\$316m**

NAV* \$1.49
Discount to NAV** 19.5%

*As at 31 March 2023. **Based on current share price and last published NAV.

Yield 0.0%
Ordinary shares in issue 212.4m
Codes RTW (\$), RTWG (£)
ISIN GG00BKTRRM22
Primary exchange LSE
AIC sector Biotechnology & Healthcare
Financial year end 31 December
52-week high/low \$1.34 \$0.97
NAV* high/low \$1.63 \$1.22

*Including income

Net gearing* 0%

*As at 31 March 2023.

Fund objective

RTW Venture Fund (RTWVF) was launched on 30 October 2019 and is focused on identifying transformative assets with high growth potential across the biopharmaceutical and medical technology sectors. The portfolio contains private as well as publicly listed companies. RTWVF's performance is measured against an index of small-cap biotech stocks and the NASDAQ Biotechnology Index.

Bull points

- Full lifecycle approach to investment provides a wide opportunity set.
- RTW's investment team has deep and growing industry expertise.
- RTWVF provides a range of flexible financing options for its investee companies.

Bear points

- The biotech sector can be volatile.
- Small-cap biotech stocks have been particularly out of favour with investors.
- Holdings in early-stage private biotech companies can be higher risk than investments in more mature biotech businesses.

Analyst

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[Edison profile page](#)

RTW Venture Fund is a research client of Edison Investment Research Limited

Fund profile: A biotech/medtech specialist investor

RTWVF is managed by RTW, a New York-headquartered investment firm founded in 2009 by managing partner Dr Roderick Wong. He has an MD from the University of Pennsylvania medical school and an MBA from Harvard Business School. Prior to forming RTW, he was a managing director and sole portfolio manager for the Davidson Kempner healthcare funds and has held various healthcare investment and research roles at Sigma Capital Partners and Cowen and Company (a sell-side firm).

RTW has three funds: two private and the listed RTWVF. It employs 75 professionals, of whom more than 30 have advanced scientific or medical degrees, with \$5.6bn in assets under management. Since launch, the company has had the same mission: to identify transformational therapeutics that can change existing treatment standards. The focus is on individual assets and companies, and only those that are ranked by the RTW team as being in the highest quartile of probable success. The manager works collaboratively with companies, scientists and entrepreneurs, and there are very few other investment companies that are full-lifecycle investors.

RTWVF is a Guernsey-domiciled company that was admitted to the Specialist Fund Segment of the London Stock Exchange on 30 October 2019 and migrated to the Premium Segment of the Main Market on 6 August 2021, following shareholder approval. The fund also has an additional sterling-denominated quote (ticker: RTWG), although its reporting currency remains US dollars.

At the time of listing, RTWVF's core portfolio had six companies, four of which were developing clinical-stage therapeutics and two were innovative medtech businesses. At the end of March 2023, there were 37 core companies. RTWVF can be viewed as a 'one-stop shop' providing scientific expertise, capital support, drug development expertise and bespoke financing solutions across the biotech lifecycle.

Recent developments

26 April 2023 – new investment in Abdera Therapeutics

RTWVF, along with other RTW funds, participated in the Abdera Therapeutics' Series B financing round. Abdera raised \$142m in Series A and Series B financing rounds. It is a privately held pre-clinical stage biopharmaceutical company leveraging antibody engineering to design and develop new precision radiopharmaceuticals for cancer. The company is building a pipeline of potentially best-in-class therapies for both clinically validated and novel targets that deliver potent radioisotopes capable of emitting alpha or beta particles to selectively destroy cancer cells. Abdera expects to submit an investigational new drug application to the US Food and Drug Administration (FDA) in 2024.

17 April 2023 – announced takeover of largest portfolio holding

On 16 April 2023, major pharma company Merck (ticker: MRK) announced the acquisition of RTWVF's largest holding Prometheus Biosciences (ticker: RXDX) for \$200 per share, which was a 75.4% premium to its previous closing price. At 31 March 2023, Prometheus represented c 14.8% of RTWVF's NAV. The deal is subject to Prometheus' shareholder approval and is expected to close in Q323.

31 March 2023 – annual results to 31 December 2022

During FY22, RTWVF's NAV and share price total returns of -10.2% and -32.0%, respectively, compared with the NASDAQ Biotechnology Index's -10.9% total return and the small-cap benchmark's -31.3% total return. At end-FY22, RTWVF had 39 core portfolio holdings (70.9% of

NAV), 25 private and 14 public; most core portfolio positions were originally investments in private companies. 68% of the core portfolio companies' pipeline products were in clinical-stage programmes. During FY22, two portfolio companies (CinCor Pharma and Third Harmonic Bio) completed an initial public offering (IPO). Three new companies were added to the portfolio (Apogee Therapeutics, Lenz Therapeutics and Mineralys Therapeutics) and there were disposals of six core public companies (Athira Pharma, Biomea Fusion, iTeos Therapeutics, Landos Biopharma, Pulmonx Corporation and Pyxis Oncology) and one core private position (RTW Royalty Holdings 1 – Mavacamtem).

29 March 2023 – participation in strategic financing in Milestone Pharmaceuticals

On 28 March 2023, RTWVF participated in, along with other RTW funds, the \$125m strategic financing in Milestone Pharmaceuticals (ticker: MIST), which is a clinical-stage biopharmaceutical company focused on the development and commercialisation of innovative cardiovascular medicines. Milestone is advancing etripamil, its lead investigational product, through Phase III clinical trials for paroxysmal supraventricular tachycardia (PSVT). The financing was made up of \$50m in convertible notes and \$75m in non-dilutive royalty funding and is expected to support the company's operations into mid-2025, including the new drug application submission (anticipated in Q323) and subsequent launch of etripamil for PSVT. RTWVF had previously participated in Milestone's \$25m private placement in July 2020.

1 March 2023 – new investment in Cargo Therapeutics

RTWVF, along with other RTW funds, co-led a \$200m Series A financing round in Cargo Therapeutics, which is a privately held clinical-stage biotech company developing the next generation of best-in-class chimeric antigen receptor T-cell therapies. The proceeds from the financing round will be used to support Cargo's Phase II clinical development programme and pipeline, which includes next-generation adoptive cell therapies for cancer using its proprietary cell engineering platform technologies.

1 March 2023 – new investment in Oricell Therapeutics

On 28 February 2022, RTWVF, along with other RTW funds, co-led a \$45m Series B financing round in Oricell Therapeutics, which is a China-based innovative pharmaceutical company committed to the development of tumour cellular immunotherapeutic products. The proceeds from the financing round will be primarily used to support Oricell's core product clinical development in the United States.

9 January 2023 – announced takeover of CinCor Pharma

On 9 January 2023, major pharma company AstraZeneca (ticker: AZN) announced the acquisition of CinCor Pharma (ticker: CINC) at \$26 per share plus an additional \$10 per share contingent value right. The upfront cost was a 121% premium to CinCor's pre-bid share price (206% premium including the maximum contingent value payment). CinCor is a US-based clinical-stage biopharmaceutical company, focused on developing novel treatments for resistant and uncontrolled hypertension as well as chronic kidney disease.

13 December 2022 – announcement of Mineralys Therapeutics IPO

On 9 February 2023, portfolio company Mineralys Therapeutics listed on the Nasdaq Global Market (ticker: MLYS) in an upsized \$192m IPO (c 12m shares at \$16 per share). On the first day of trading, its share price rose by 15.3%. Mineralys is a clinical-stage biopharmaceutical company focused on developing medicines to target diseases driven by abnormally elevated aldosterone. Its lead product candidate, lorundrostat, is an orally administered, selective aldosterone synthase inhibitor for the treatment of patients with uncontrolled hypertension, which is expected to begin Phase III clinical trials in H123. Prior to the IPO, RTWVF, along with other RTW funds, participated in Mineralys' \$118m Series B financing round in June 2022.

8 December 2022 – material update from portfolio company Prometheus Biosciences

Portfolio company Prometheus Biosciences (ticker: RXDX) announced positive data updates on two clinical trials; at the time it was RTWVF's third-largest holding (c 7.5% of NAV). Prometheus is a clinical-stage biotechnology company pioneering a precision medicine approach for the discovery, development, and commercialisation of novel therapeutic and companion diagnostic products for the treatment of immune-mediated diseases. On 7 December 2022, the company announced positive data readouts for its lead programme PRA023 in the Phase II study in ulcerative colitis and the Phase IIa study in Crohn's Disease. Both studies demonstrated strong efficacy and favourable safety results, and position PRA023 as potentially the best- and first-in-class therapeutic for inflammatory bowel disease. Prometheus' share price rose by 165.7% on 7 December 2022. RTWVF, along with other RTW funds, participated in Prometheus' \$130m financing round in November 2020 and supported its IPO in March 2021.

7 December 2022 – new investment in Apogee Therapeutics

RTWVF, along with other RTW funds, co-led a \$149m Series B financing round in Apogee Therapeutics, which is a privately held preclinical-stage biotech company advancing potentially best-in-class therapies for immunological and inflammatory disorders. It is building a pipeline of product candidates targeting clinically validated biology and well-established development pathways. Through a strategic partnership with Paragon Therapeutics, Apogee has the option for exclusive development and commercial rights to a suite of antibodies, which have been specifically engineered to target immunological and inflammatory disorders. Its lead program, APG77, is expected to enter clinical trials in 2023.

28 November 2022 – change in RTWVF's tax status

Effective 1 December 2022, RTWVF is treated as a corporation rather than a publicly traded partnership (PTP) for US federal tax purposes. The change was necessitated by a change in US tax legislation (effective from 1 January 2023). RTWVF is now treated as a passive foreign investment company, so non-US shareholders will not be subject a withholding tax as may have been the case under the new legislation if the company had remained a PTP.

The manager: RTW Investments

The manager's view: Positive fundamentals and higher M&A

RTW highlights that the 2022 30% plus fall in RTWVF's small-cap biotech benchmark on top of the 27% decline in 2021, marked a rare back-to-back decline in the index. As a result, the number of biotech companies trading at less than the value of cash on their balance sheets remains near historic highs. Industry innovation remains robust but funding for smaller biotech companies is difficult. The 2022 biotech IPO market was the lowest in a decade and follow-on offerings declined for the second year in a row to levels not seen during 2016, when there were intense concerns about US drug pricing. For the second year in a row, there was a wide divergence between the performance of large- and small-cap therapeutic stocks.

The manager says that investors are currently favouring large-cap pharma stocks despite Medicare price negotiations and looming patent cliffs starting in 2026. It notes that large-cap biotech companies have performed relatively better than their smaller peers, led by companies with consistent growth or are deemed viable candidates for major pharma companies to improve their product pipelines. RTW suggests that this trend is indicative of an early innings recovery for biotech stocks. It says that although the outlook for biotech companies has improved over the last year in terms of a more regular functioning US FDA and a higher volume of M&A activity, small-cap biotech stocks have been left behind. The manager suggests that investors have focused on the poor performance of biotech companies that listed, essentially too early in their lifecycles, in 2020 and

2021, rather than on the important product developments, including several potential first-in-class therapies such as Biogen and Eisai's breakthrough in the treatment of Alzheimer's and Axsome Therapeutics' first new class of oral antidepressants in more than 50 years.

RTW highlights that although the number of FDA approvals for new molecular entities in 2022 declined to 37 (including two from RTWVF's portfolio companies) versus 51 in 2021, drugs from new modalities continue to increase. There were 13 new-modality approvals in 2022 compared with nine a year earlier, including four gene therapies (none in 2021). The manager is excited by the high level of biotech industry innovation and believes that there are asymmetric opportunities for innovative companies that can deliver positive pipeline developments. It points to significant share price appreciation of companies that have announced positive trial data in recent months, including Madrigal Pharmaceuticals (+320%), and portfolio companies Prometheus Biosciences (+167%) and Avidity Biosciences (+91%). The manager expects M&A activity to accelerate given high pharma cash balances and a need to offset the effects of looming patent cliffs, and the attractive valuations of smaller biotech companies. He opines that this should support the biotech sector's performance, which has never declined for three consecutive years. In March 2023, Pfizer announced the acquisition of Seagen for \$43bn, which is its largest deal since the 2009 acquisition of Wyeth, to gain access to Seagen's four commercial drugs, late-stage development programmes and expertise in antibody-drug conjugates that should complement Pfizer's oncology portfolio.

Current portfolio positioning

RTWVF's top 10 portfolio concentration has increased to 60.9% at end-March 2023 compared with 43.9% at end-June 2022. A large part of this change is due to positive developments at Prometheus Biosciences, whose lead product progressed through Phase II clinical trials. This company represented just 4.7% of the fund at end-June 2022. Its 14.8% weighting will have been enhanced (unless the holding was trimmed) by the April 2023 bid from major pharma company Merck at a c 75% premium to Prometheus' pre-bid share price.

Exhibit 1: Top 10 holdings (as at 31 March 2023)

Portfolio company	Description	Public (inc ticker)/ private	Clinical stage	% of NAV
Prometheus Biosciences	Precision medicine company focused on inflammatory bowel disease, a chronic inflammatory disease of the gastrointestinal tract with the lead antibody programme against TL1A.	Public (RXDX)	Phase II	14.8
Rocket Pharmaceuticals	Gene therapy platform company for rare paediatric diseases. Five clinical programmes for Fanconi anaemia, Danon disease, leukocyte adhesion deficiency, pyruvate kinase deficiency and infantile malignant osteopetrosis.	Public (RCKT)	Phase II	12.2
Ji Xing Pharmaceuticals	NewCo focused on acquiring rights from innovative therapies for development and commercialisation in China.	Private	Phase III	7.7
Immunocore	T-cell receptor therapy company focused on oncology and infectious diseases.	Public (IMCR)	Commercial	6.7
Orchestra BioMed	Medical device company focused on developing products for the treatment of coronary artery disease and hypertension.	Public (OBIO)	Pivotal	6.0
RTW Royalty Holding 2	RTW-Urogen royalty deal based on revenues of both Jelmyto and UGN-102.	Private	Commercial	4.4
Milestone Pharmaceuticals	Late-stage clinical company developing interventions for paroxysmal supraventricular tachycardia.	Public (MIST)	Phase III	3.1
Avidity Biosciences	Antibody conjugated RNA medicines company. Lead programme for myotonic dystrophy, a degenerative disease with no therapy.	Public (RNA)	Phase I	3.0
Beta Bionics	Closed-loop pancreatic system for automated and autonomous delivery of insulin.	Private	Pivotal	1.7
Ventyx Biosciences	Clinical-stage biotech company advancing a promising immunology pipeline for autoimmune and inflammatory diseases.	Public (VTYX)	Phase II	1.3
Top 10 (% of portfolio)				60.9

Source: RTW. Note: Private companies based on 31 March 2023 valuation.

At 31 March 2023, 26.7% of RTWVF's NAV was invested, in privately held core portfolio companies, with 46.9% in public core portfolio companies, most of which were initiated as private investments (total core investments of 73.6%). The majority of the remaining NAV was invested in other liquid public companies similar to investments in other RTW funds to mitigate cash drag (the

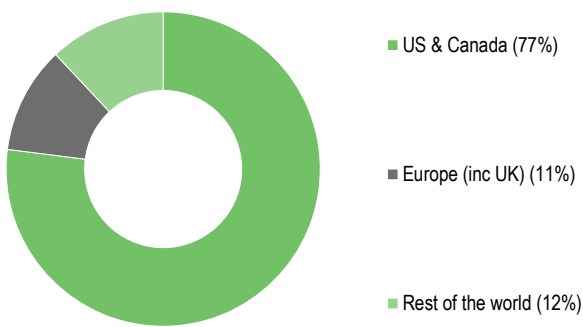
effect of holding cash rather than investments with better return potential). In terms of market cap, RTWVF's core portfolio was broadly split: c 20% large cap (> \$5bn); c 31% mid-cap (\$1-\$5bn); and c 49% (<\$1bn).

At end-December 2022, RTWVF had 24 core private companies with negative cash flow, which is typical for an early-stage biotech business. An analysis of cash on their balance sheets showed c 46% of the combined value had an approximated cash runway of more than 24 months; c 4% between 18 and 23 months; c 27% between 12 and 17 months and c 23% less than 12 months. The average cash runway (with burn rates at the time of analysis) was around three years. Of the six companies with less than one year of cash, two are RTW NewCos and only two of the remaining four were in a challenging financial position; the valuations of these two challenged businesses were written down (Alcyone Therapeutics by 75% and Visus Therapeutics by 99%).

Illustrating RTW's full lifecycle approach and broad offering of financial solutions, which enables it to participate in a diverse opportunity set, in H122 the royalty stake in Mavacamten, the underlying asset of RTW Royalty Holding 1 was sold to Bristol Myers Squibb. This occurred immediately after the drug had achieved the primary endpoint of its Phase III trials and generated a greater than 3x return on the November 2020 investment. The royalty asset was originally acquired as part of a multi-solution transaction with Cytokinetics, a promising mid-stage cardiovascular company, which also included an equity investment, a regional partnering deal with Ji Xing Pharmaceuticals, and future clinical trial funding. It was a ground-breaking transaction because, as a single counterparty, RTW was able to move quickly, simplifying and de-risking the process that would otherwise have taken much longer with the involvement of multiple partners.

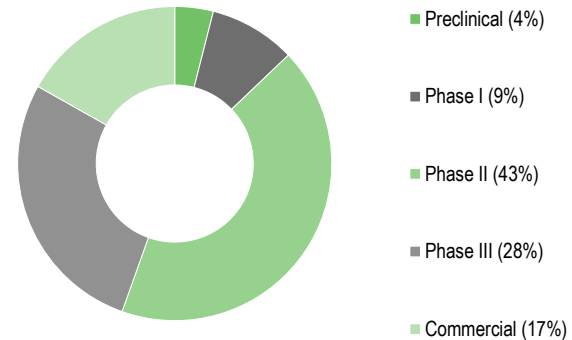
In H222, RTW's second special purpose acquisition company (SPAC), Health Sciences Acquisitions Corporation 2, announced a proposed combination with Orchestra BioMed, one of RTW's core private holdings. The deal closed on 27 January 2023 and Orchestra listed its shares (NASDAQ: OBIO). At the same time, it announced that it would develop (with joint venture partner Medtronic) its BackBeat cardiac neuromodulation therapy as a potential integrated treatment for cardiac pacemaker patients. RTW believes that SPACs can be a useful method to list public-ready companies when capital markets are temporarily closed for business.

Exhibit 2: Geographic exposure at 31 March 2023



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

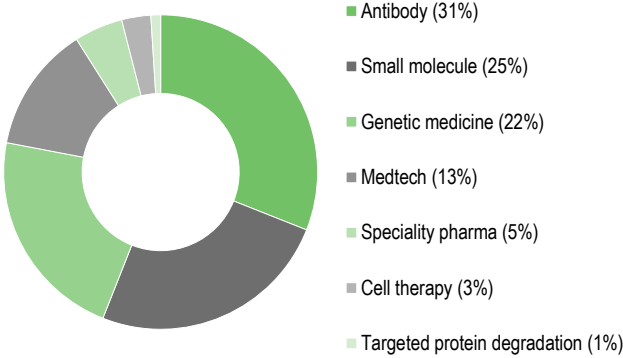
Exhibit 3: Clinical stage exposure at 31 March 2023



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

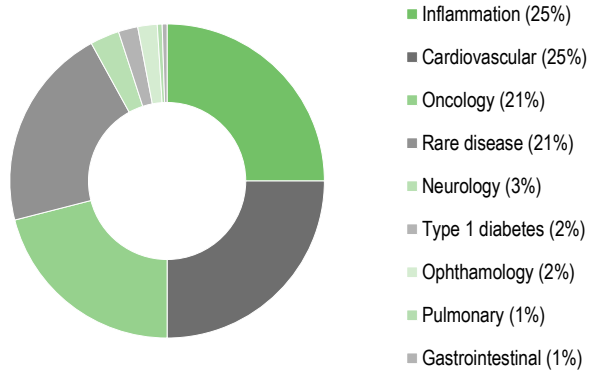
RTWVF's core portfolio breakdowns, based on percentage of NAV, are shown above and below in Exhibits 2 to 5.

Exhibit 4: Modality exposure at 31 March 2023



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

Exhibit 5: Therapeutic focus exposure at 31 Mar 2023



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

NAV outperformance since fund launch

Exhibit 6: Three-year discrete performance data

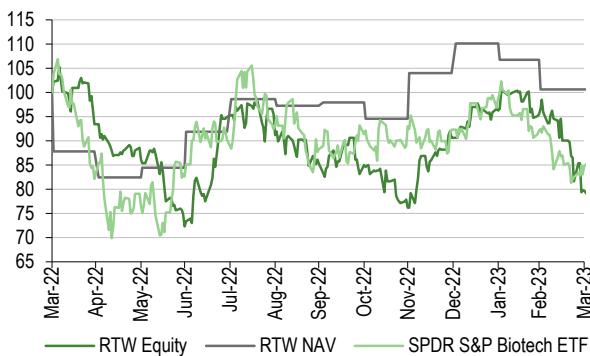
12 months ending	Share price (%)	NAV (%)	SPDR S&P Biotech ETF (%)	NASDAQ Biotechnology (%)	MSCI World (%)	CBOE UK All Companies (%)
31/03/21	75.7	84.2	75.6	40.1	54.0	26.6
31/03/22	(40.4)	(20.4)	(33.7)	(11.2)	10.1	13.2
31/03/23	(20.2)	4.1	(15.2)	(0.2)	(7.0)	3.8

Source: Refinitiv. Note: All % on a total return basis in US dollars.

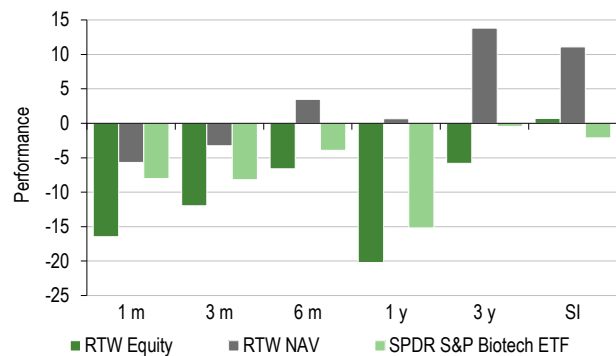
In FY22 (ending 31 December 2022) RTWVF's NAV total return was -10.2%, the majority of the decline (-9.3pp) was due to its non-core public company holdings. The top three contributors to the fund's performance were: Prometheus Biosciences (inflammation, public, +9.1pp); RTW Royalty Holdings 1 (cardiovascular, private company that was sold to Bristol Myers Squibb, +4.9pp); and Immunocore (oncology, public, +2.7pp), while the three largest detractors were: Ji Xing Pharmaceuticals (cardiovascular and ophthalmology, private company whose IPO was delayed due to market conditions, -2.2pp); C4 Therapeutics (oncology, public, -2.1pp); and Tenaya Therapeutics (cardiovascular, public, -2.0pp). In FY22, RTWVF's -10.2% NAV total return significantly outperformed its small-cap benchmark's -31.3% total return and was modestly better than the NASDAQ Biotechnology Index's -10.9% total return. The fund's share price declined by 32.0%, leading to a wide discount versus an average modest premium since IPO.

Exhibit 7: Investment company performance to 31 March 2023

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Inception date is 30 October 2019. Three year and since inception figures annualised.

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

	One month	Three months	Six months	One year	Three years	Since inception
Price relative to SPDR S&P Biotech ETF	(9.2)	(4.1)	(2.8)	(5.9)	(15.3)	10.2
NAV relative to SPDR S&P Biotech ETF	2.5	5.4	7.7	18.7	49.5	54.2
Price relative to NASDAQ Biotechnology	(17.6)	(10.3)	(15.0)	(20.1)	(32.8)	(18.2)
NAV relative to NASDAQ Biotechnology	(6.9)	(1.4)	(5.9)	0.8	18.7	14.5
Price relative to MSCI World	(19.0)	(18.3)	(21.0)	(14.2)	(47.0)	(22.3)
NAV relative to MSCI World	(8.5)	(10.2)	(12.5)	8.3	(6.5)	8.6
Price relative to CBOE UK All Companies	(14.1)	(14.7)	(17.2)	(23.1)	(43.8)	(11.3)
NAV relative to CBOE UK All Companies	(3.0)	(6.2)	(8.3)	(3.0)	(0.8)	24.0

Source: Refinitiv, Edison Investment Research. Note: Data to end-March 2023. Geometric calculation in US dollar terms.

RTWVF's relative returns are shown in Exhibit 8 above. Its NAV has outperformed the SPDR S&P Biotech ETF (a multi-cap index) over all periods shown, and the NASDAQ Biotechnology Index (larger-cap biotech stocks) over the last one and three years and since the fund's inception on 30 October 2019. RTWVF's share price has fared less well as the company has traded at a discount to NAV since Q222.

Peer group comparison

RTWVF is the smallest of the seven funds in the AIC Biotechnology & Healthcare sector (Exhibit 9). Its NAV total returns rank first over the last 12 months (RTWVF is the only fund with a positive return, albeit modest), sixth over the last two years and third over the last three years. Considering the three funds that primarily invest in biotech stocks (RTWVF, Biotech Growth Trust and International Biotechnology Trust), RTWVF's NAV total returns rank first over the last one and three years and second over the last two years.

Syncona is another early-stage investor, but that company has around half of its portfolio in treasury bills and cash, while RTWVF invests in non-core listed companies instead of holding cash. It has lagged the performance of Syncona over the last two years but is ahead over the last 12 months and has delivered a considerably higher NAV total return over the last three years.

RTWVF currently has the second-widest discount in a sector where no funds are trading at a premium. It has the highest ongoing charge and, in line with most of its peers, a performance fee is payable. RTWVF is currently ungeared and is one of three funds that does not pay a dividend.

Exhibit 9: AIC Biotechnology & Healthcare sector at 21 April 2023* (all data in \$)

% unless stated	Market cap \$m	NAV TR 1 year	NAV TR 2 year	NAV TR 3 year	NAV TR 5 year	Discount (cum-fair)	Ongoing charge	Perf fee	Net gearing	Dividend yield
RTW Venture	259.1	0.7	(19.9)	47.5		(18.1)	1.9	Yes	100	0.0
BB Healthcare	1,072.3	(14.9)	(16.1)	47.8	59.0	(6.3)	1.0	No	103	4.1
Biotech Growth Trust	385.3	(16.6)	(47.3)	(8.9)	0.5	(9.4)	1.1	Yes	107	0.0
International Biotechnology Trust	338.3	(0.4)	(7.8)	28.3	31.3	(7.8)	1.3	Yes	112	6.8
Polar Capital Global Healthcare	506.7	(3.6)	11.5	56.1	60.2	(6.3)	0.9	Yes	107	0.6
Syncona	1,263.1	(7.0)	(11.0)	3.3	15.2	(21.0)	0.5	No	100	0.0
Worldwide Healthcare Trust	2,508.5	(5.5)	(15.2)	22.9	31.2	(10.8)	0.9	Yes	100	0.8
Simple average (7 funds)	904.8	(6.8)	(15.1)	28.1	32.9	(11.4)	1.1		104	1.8
RTW rank in peer group	7	1	6	3		6	7		6=	5=

Source: Morningstar, Edison Investment Research. Note: *Performance at 31 March 2023. Based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Dividends

RTWVF invests in early-stage companies, which typically do not generate revenues and invest for future growth rather than returning cash to shareholders, hence it does not pay dividends. Any proceeds from portfolio company sales or distributions are reinvested.

Discount: Scope for a higher valuation

As shown in Exhibit 10, investor risk aversion has negatively affected RTWVF's valuation as it has regularly traded at a discount since Q222. The latest 19.5% discount to cum-income NAV compares to an average 18.0% discount over the last year and 1.9% discount over the last three years (based on monthly NAVs). Since the fund was launched on 30 October 2019, its average valuation is a 0.1% premium. There is scope for RTWVF to be afforded a higher valuation if investors once again focus on the potential of smaller-cap biotech stocks, or if the company continues to build on its positive performance track record.

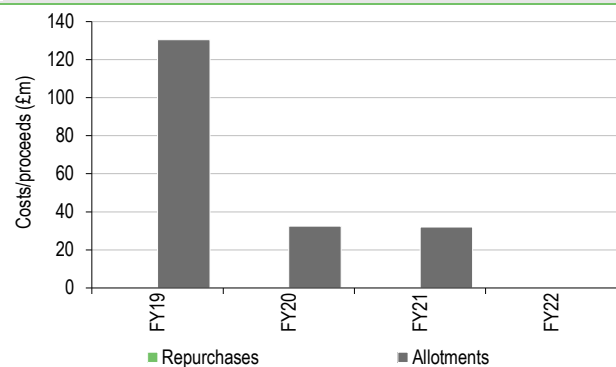
RTWVF's board has the authority to issue new shares up to 20% of the outstanding share base in any rolling 12-month period without filing an updated prospectus, providing they are issued on a non-dilutive basis at a premium to NAV. It also has an annual authority to repurchase up to 15% of shares outstanding to manage a discount. There have been no allotments or share repurchases since FY21 (Exhibit 11).

Exhibit 10: Premium/discount last three years (%)



Source: Refinitiv, Edison Investment Research. Note: Based on monthly NAVs.

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research. Note: FY19 is fund launch on 30 October 2019.

Investment process: Full lifecycle investment approach

RTW describes itself as a company of 'scientists and entrepreneurs', aiming to change patients' lives through medical and scientific innovation. It has a long-term, repeatable approach, seeking transformational innovations by undertaking deep scientific research. This is complemented by experience in capital markets and company building, along with transactional, operational and legal expertise. Having the ability to collect data on early-stage technologies provides RTW with a competitive advantage and opportunities for future investments. There is a four-step investment process:

- **Identify transformational innovations:** comprehensive study of industry and academic efforts in a range of targeted areas of significant innovation including gene therapy, RNA medicines and treatments for disease areas such as degenerative conditions, cardiovascular, oncology and ophthalmology. Medical meetings are a very important part of the process.
- **Deep research and unlocking value:** repeatable internal processes combining technology and human resources to cover critical drivers of global innovation comprehensively, focusing on those assets that are likely to have a high probability of success. This includes an assessment of the anticipated number of clinical trials required before peak value can be achieved.
- **Build new companies around scalable and sustainable business platforms:** following commercial due diligence, partnering with universities and in-licensing academic programmes, by providing capital and infrastructure to entrepreneurs to advance scientific progress. This is helped by RTW's close relationships with bankers, lawyers and other related parties. Also,

partnering with companies with more mature assets to further their development and commercialise them in new geographies.

- **Full lifecycle investment:** RTW determines at what point in a company's lifecycle it should support the target asset or pipeline, whether it be early or later stage. It engages in a broad range of financial solutions including company creation, licensing, royalty and structured finance, venture and crossover investment, along with IPOs and follow-on investment.

There is a monthly committee meeting to review, and update where necessary, the valuation of all private holdings; these are also independently valued by an external assessor at least twice a year. For private investments, the targeted average timeline to IPO is less than three years for company formations and Series A fundings, and less than 18 months for mid- to late-stage funding rounds. At the time of investment, single holdings are limited to 15% of RTWVF's NAV (was 30% for Rocket Pharmaceuticals), although in practice a single new investment is capped at 5%.

Research is regularly refreshed to understand how products are developing and to determine their expected probability of success at their next trial readouts. Each asset is assessed in terms of its potential risk-adjusted returns. All private investments are allocated pro rata across RTW's three funds; however, RTWVF has double the weighting compared with each of the two private funds. This is also the ratio employed when positions are reduced or sold. If considered appropriate, the manager is prepared to support RTWVF's portfolio companies when they have setbacks.

The company aims to generate NAV total returns above 20% per year over the medium term.

RTWVF's approach to ESG

RTW is planning to develop a formalised approach to environmental, social and governance issues and already has a responsible investor statement. The company's approach to investment in life sciences companies is made up of goals and principles that are aligned specifically with its mission to assist in the development of breakthrough therapies that transform millions of lives, find cures for diseases and improve people's quality of life. As a guiding principle, RTW prioritises an overall positive impact on patients in combination with long-term meaningful outcomes to society.

Gearing

RTWVF may employ gearing up to 50% of NAV at the time of drawdown for investment and working capital purposes. At end-March 2023, net gearing was 0%.

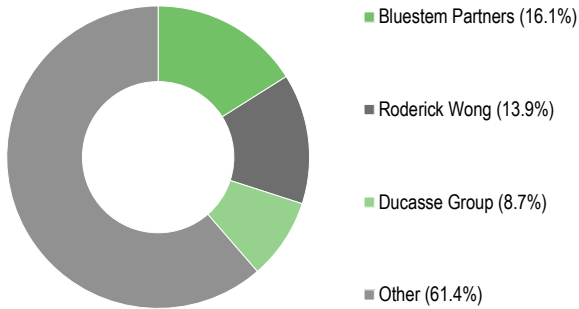
Fees and charges

RTW receives a monthly management fee, in advance, at the beginning of each month in an amount equal to 0.104% (1.25% pa) of RTWVF's NAV. A performance fee is payable based on 20% of the change in NAV (adjusted for share issuance and the weighted number of shares in issue during the reporting period). This fee is subject to an 8% NAV total return compound annual growth rate hurdle from the start of the initial performance allocation period to the current performance allocation period. In FY22, RTWVF's ongoing charges excluding performance fees were 1.92%, which was 19bp higher than 1.73% in FY21, but 4bp lower than 1.96% in FY20. No performance fee was payable in FY22.

Capital structure

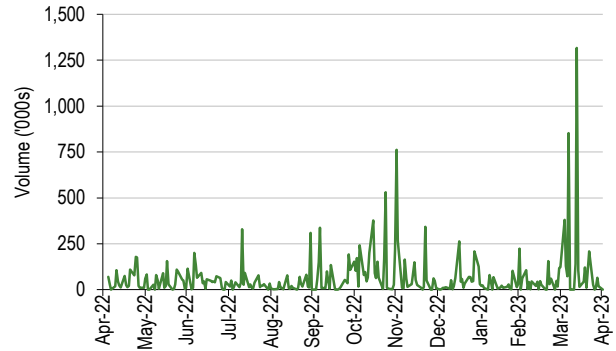
RTWVF currently has 212.4m ordinary shares in issue. Its average daily trading volume over the last 12 months is c 72k shares. As shown in the chart below, RTW's managing partner and CIO, Roderick Wong, is its second-largest shareholder.

Exhibit 12: Major shareholders



Source: Bloomberg. Note: As at 29 March 2023.

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 28 April 2023.

The board

Exhibit 14: RTWVF's board of directors

Board member	Date of appointment	Remuneration in FY22	Shareholdings at end-FY22
William Simpson (chairman)	2 October 2019	£50,000 (equivalent to \$53,889)	200,000
Paul le Page	2 October 2019	£40,000 (equivalent to \$43,111)	128,000
William Scott	3 October 2019	£35,000 (equivalent to \$37,772)	305,003
Stephanie Sirota	2 October 2019	\$42,000	1,010,000

Source: RTW

At the 21 June 2022 AGM, shareholders approved an increase in the total directors' remuneration payable from \$300k to \$500k per year to ensure there are extra resources available to grow and diversify the board.

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