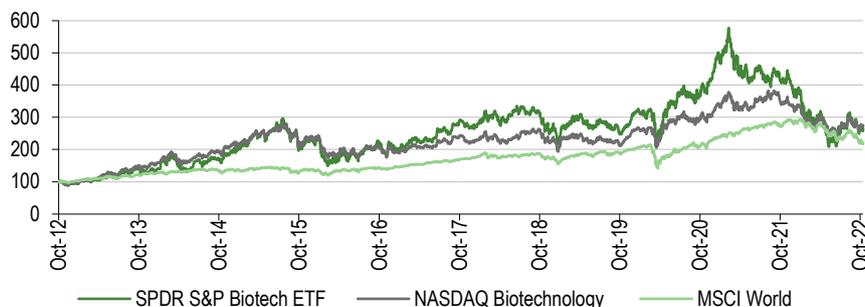


RTW Venture Fund

Major biotech drawdown providing opportunities

RTW Venture Fund (RTWVF) is managed by global healthcare specialist RTW Investments (RTW) that has offices in New York, London and Shanghai. It offers a broad range of financing options from business formations through to listed biotech and medtech companies. RTW's managers are hopeful that the performance of biotech stocks will continue to improve following a significant sell off, particularly in smaller-cap stocks, between February 2021 and May 2022. Biotech industry fundamentals and valuations are attractive, so investors with a longer-term perspective that can look through the current challenging macroeconomic backdrop may benefit from an allocation to the sector.

Manager is hopeful that biotech stocks are on the rise



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

The analyst's view

The latest severe drawdown (sell-off) in biotech stocks was initially due to industry-specific issues including the lack of a US Food and Drug Administration commissioner, some COVID-related drug approval delays and the risk of US drug pricing reform. However, in H122, macroeconomic issues including rising inflation and interest rates and investor risk aversion following the war in Ukraine have also weighed on the sector's performance. The level of innovation remains robust, which bodes well for the future of the biotech sector, valuations are very attractive and the potential for increased merger and acquisition (M&A) activity could be a catalyst for a step-up in the sector's relative performance. RTWVF's portfolio breakdown is likely to remain in a broad 80:20 split between biotech and medtech assets, with around two-thirds of new investments in mid- to later-stage venture companies and one-third focused on building companies around the discovery and development or licensing and distribution of promising assets.

Scope for a narrower discount

RTWVF is trading at a 20.1% discount to NAV, which is a considerably lower valuation than the average 4.1% premium since the fund was launched in October 2019. There is potential for a narrower discount if investor sentiment towards biotech stocks continues to improve and RTWVF is able to build on its longer-term positive performance record.

Investment companies Biotechnology & medtech

18 October 2022

Price **\$1.15**
Market cap **\$243m**
Total assets **\$306m**

NAV* \$1.44
Discount to NAV 20.1%

*As at 30 September 2022.

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 \$1.90 \$0.97

NAV* high/low \$1.82 \$1.22

*Including income

Net gearing* 0%

*As at 30 June 2022.

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.
- Key person risk: RTWVF is heavily reliant on RTW's company founder and managing partner Roderick Wong.
- Concentration risk, with c 11.5% of the fund invested in Rocket Pharmaceuticals.

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 c 80 people, of whom around 30 have advanced scientific or medical degrees, and has c \$5.8bn 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 its peers as a scientist, business builder and investor; however, there are very few other 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. By the end of June 2022, the number of core companies had grown to 41. 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

16 September 2022 – announcement of Third Harmonic Bio initial public offering (IPO)

On 14 September 2022, portfolio company Third Harmonic Bio listed on the Nasdaq Global Market (ticker: THRD) in an upsized \$185.3m IPO (c 10.7m shares at \$17.0m per share). It is a clinical-stage biotechnology firm developing a first-in-class, selective, oral KIT inhibitor for the treatment of severe allergy and inflammation. Third Harmonic Bio's lead asset, THB001, is in a Phase I clinical trial for the initial indication of chronic urticaria, a dermatologic disease driven by mast cell activation that results in red, itchy, painful welts or hives that develop in response to a specific stimulus (inducible urticaria) or with no known cause (spontaneous or idiopathic urticaria). The company also plans to pursue development of THB001 in additional diseases of the skin, airway, and gastrointestinal tract in which mast cells play a known role in the pathophysiology of the condition. Prior to the IPO, RTW participated in Third Harmonic Bio's \$105m Series B financing round in December 2021.

15 September 2022 – H122 results to 30 June

During H122, RTWVF's NAV and share price total returns of -26.8% and -45.7%, respectively, compared with the NASDAQ Biotechnology Index's -20.7% total return and a 39.1% decline in its small-cap benchmark. At end-H122, RTWVF had 41 core portfolio holdings, 26 private and 15 public; all core portfolio positions were originally investments in private companies. Of the 41 core investments, 28 of these companies' pipeline products are in clinical-stage programmes. During H122, there were two new private company investments (Lenz Therapeutics and Mineralys

Therapeutics), three complete sales of public investments (Athira Pharma, Biomea Fusion, iTeos Therapeutics), one IPO (CinCor Pharma) and one sale of a royalty holding (Mavacamten).

19 July 2022 – additional investment in portfolio company Immunocore Holdings

RTW participated in a private investment in public equity (PIPE) in portfolio company Immunocore Holdings (ticker: IMCR). It sold an aggregate c 3.7m ordinary shares (2.0m American Depository Shares, each representing one ordinary share, and c 1.7m non-voting ordinary shares) at a price of \$37.50 per share. Gross proceeds from the PIPE were c \$140m before deducting offering expenses. RTW participated in the financing round together with Rock Springs Capital and General Atlantic. Immunocore is a UK-based, commercial-stage biotechnology company pioneering the development of a novel class of T-cell receptor bispecific immunotherapies designed to treat a broad range of diseases including cancer, infectious and autoimmune disease. It has been in RTWVF's portfolio since its launch on 30 October 2019.

6 July 2022 – portfolio company Orchestra BioMed transaction update

Portfolio company Orchestra BioMed announced a strategic collaboration, the closure of a \$110m private equity financing and plans to list on Nasdaq through a merger with RTW-sponsored Health Sciences Acquisitions Corporation 2 (ticker: HSAQ). Orchestra BioMed announced a strategic collaboration with Medtronic to develop BackBeat cardiac neuromodulation therapy as potential integrated hypertension treatment for cardiac pacemaker patients. Investors in the \$110m Series D financing include Medtronic and Terumo Corporation as well as lead investor RTW; the financing is not contingent on the consummation of the merger. The merged company is expected to be listed on Nasdaq as Orchestra BioMed Holdings (ticker: OBIO) and supported by \$20m in total forward purchase agreements and an up to \$50m backstop agreement. The total \$180m in gross financing is expected to fund the combined company into 2026 based on current plans and estimates.

14 April 2022 – new investment in Lenz Therapeutics and Ji Xing China partnership

Lenz Therapeutics entered into an exclusive licence agreement with Ji Xing Pharmaceuticals to develop and commercialise LNZ100 (aceclidine) and LNZ101 (aceclidine + brimonidine) for the treatment of the loss of near vision associated with presbyopia in patients in Greater China. This condition is estimated to affect almost two billion people globally and more than 120 million in the United States. RTW invested \$10m in Lenz. Under the licensing agreement, Lenz will receive \$15m in upfront payments and may receive up to \$95m in additional payments, based on various prescribed development, regulatory and commercial milestones, as well as royalty payments based on future net sales.

The manager: RTW Investments

The manager's view: Optimistic about biotech sector recovery

Woody Stileman, RTW's managing director, strategic partnerships, explains that the February 2021 to May 2022 70% drawdown in the small-cap biotech sector was second longest and deepest in its history, with the worst being the 85% March 2000 to March 2003 decline during the bursting of the internet/genomic bubble. He suggests that the valuations of biotech companies got back to the levels seen during the 2009 global financial crisis; at the end of June 2022, the NASDAQ Biotechnology Index was trading at a 4.5x price-to-sales multiple, compared with 23.2x during the peak of the genomic bubble. Stileman notes that at 30 June 2022, 65% of biotech companies with market caps below \$10bn were trading at less than 2.0x the cash on their balance sheets and a record 34% of these were trading below their cash levels. He highlights that the share prices of smaller or newly listed biotech companies have been particularly weak.

There were a record 108 biotech IPOs in 2021 and the number of listed biotech companies has increased by 82% since 2015, but with many companies trading below their IPO prices or below the level of cash on their balance sheets, share issuance has dried up. The manager says there were 13 biotech IPOs in H122 compared to lows of three and four in 2008 and 2009 during the global financial crisis. He comments that private financing is heavily skewed towards Series A funding, while there may be a funding gap in the later stages for biotech companies that are early in their clinical development or which have unproven technologies. Stileman says that in the 2015/16 correction, biotech companies' average cash balances were \$123m but are now at \$235m although burn rates have doubled so cash runways remain around 2.9 years. He suggests that while it is too early to confirm a bottom in biotech stocks, there are reasons for optimism including continued high levels of industry innovation and an uptick in industry M&A activity; Q222 saw the largest number of deals announced since Q218. The manager also highlights that there have been industry rumours about a c \$40bn bid for Seagen by Merck, along with other potential deals which, if they proceed, could start a virtuous cycle.

Stileman opines that the current environment in the biotech sector favours active stock pickers focusing on post-proof of concept, mid-cap biotech companies that have the available capital and expertise to invest. The issue of US drug pricing has been an overhang for the healthcare sector; however, the manager says that the August 2022 announced Inflation Reduction Act's drug pricing reform is narrower than bills introduced by the Democrats in recent years, with the impact largely limited to a small number of large pharma/biotech companies which already have successful products sold into the Medicare population. He believes that M&A is likely to increase to offset these drug price reform revenue pressures.

Current portfolio positioning

Exhibit 1: Top 10 holdings (as at 30 June 2022)

Portfolio company	Description	Public (inc ticker)/ private	Clinical stage	% of NAV
Rocket Pharmaceuticals	Gene therapy platform company for rare paediatric diseases. Four clinical programmes for Fanconi anaemia, Danon disease, leukocyte adhesion deficiency and pyruvate kinase deficiency.	Public (RCKT)	Phase II	11.5
Ji Xing Pharmaceuticals	NewCo focused on acquiring rights from innovative therapies in the West for development and commercialisation in China.	Private	Phase III	8.6
RTW Royalty Holding 2	Royalty as a part of RTW-Urogen deal.	Private	N/A	5.1
Prometheus Biosciences	Precision medicine company focused on inflammatory bowel disease, a chronic inflammatory disease of the gastrointestinal tract; lead antibody programme against TL1A.	Public (RXDX)	Phase I	4.7
Immunocore	T-cell receptor therapy company focused on oncology and infectious disease. Lead programme for uveal melanoma.	Public (IMCR)	Commercial	4.2
Avidity Biosciences	Antibody conjugated RNA medicines company. Lead programme for myotonic dystrophy, a degenerative disease with no therapy.	Public (RNA)	Phase I	3.6
Beta Bionics	Closed-loop pancreatic system for automated and autonomous delivery of insulin.	Private	Pivotal	2.0
NiKang Therapeutics	Biotech using a structure-based design to develop innovative small molecules against promising molecular targets in oncology.	Private	Phase I	1.5
Alcyone Therapeutics	Gene therapy platform company developing therapies for central nervous system diseases.	Private	Preclinical	1.4
Milestone Pharmaceuticals	Clinical-stage company developing interventions for tachycardias.	Public (MIST)	Phase III	1.3
Top 10 (% of portfolio)				43.9

Source: RTW. Note: Private companies based on 30 June 2022 valuation.

At 30 June 2022, RTWVF's NAV was split c 62% core companies (broadly 50:50 between private and public firms), c 34% in other public holdings similar to investments in other RTW funds to mitigate cash drag (the effect of holding cash rather than investments with better return potential) and c 5% in cash and working capital.

Alexandra Taracanova, RTW's director, academic and investor partnerships, highlights its analysis of the cash on the balance sheets of 22 of RTWVF's 26 core private companies; the average cash

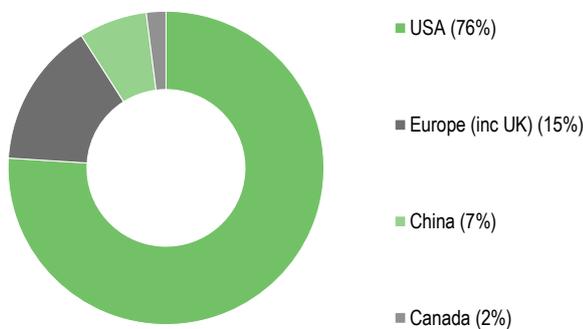
runway is 32 months. Around 48% of the combined value have an approximated cash runway of more than 24 months; c 14% between 18 and 23 months; c 10% between 12 and 17 months and c 29% less than 12 months. Of these six businesses, two are RTW new companies and just two of the remaining four companies are in more challenging financial positions. Taracanova explains that RTWVF's private companies are valued each month. During H122, 75% were marked down, mostly for non-company specific reasons; only three of the markdowns were due to idiosyncratic factors like delayed financing rounds. She says that RTW has some degree of downside protection as it is often higher up in the capital structure than other investors and 'is in good shape and well-funded'.

Commenting on a couple of RTWVF's largest holdings, Stephanie Sirota, RTW's partner, chief business officer, says that Rocket Pharmaceuticals listed in 2015 and is now one of the top five listed gene therapy companies globally. The company has two clinical programme results due in Q422; Sirota is hopeful of positive outcomes. Despite strong operating performance Ji Xing Pharmaceutical's listing has been delayed due to market conditions and the valuation of RTWVF's investment in this company has been written down slightly to reflect this. A Series D financing is expected later in 2022.

Taracanova highlights RTW's full lifecycle approach and broad offering of financial solutions, which enables it to participate in a diverse opportunity set. She says that this was clearly demonstrated in April 2022, with the sale of the royalty stake in Mavacamten, the underlying asset of RTW Royalty Holding 1 to Bristol Myers Squibb immediately after the drug had achieved the primary endpoint of its Phase III trials, achieving 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. Taracanova says this 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.

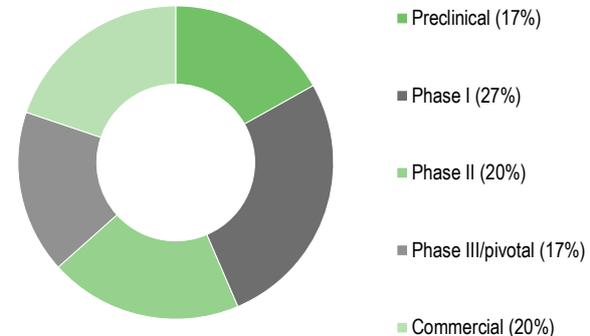
Exhibits 2 to 5 show the breakdown of RTWVF's portfolio at 30 June 2022. There were modest changes in the fund's geographic breakdown during H122, with the United States still representing more than three-quarters of the fund. However, over time this share is likely to moderate as RTW has expanded its regional presence with offices in London and Shanghai seeking to identify new opportunities in Europe and Asia. Compared with the end of 2021, there are some notable changes in RTWVF's clinical-stage exposure, with a 13pp higher weighting in commercial companies and an 8pp lower weighting in Phase I assets.

Exhibit 2: Geographic exposure at 30 June 2022



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

Exhibit 3: Clinical stage exposure at 30 June 2022

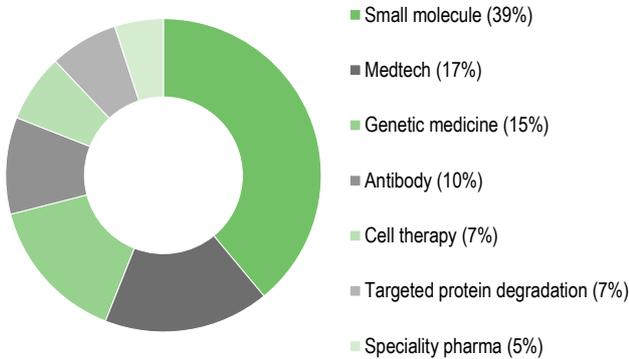


Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

In terms of modality, compared with the end of 2021, the fund has a 4pp higher exposure to small molecule and a 5pp lower exposure to antibody technologies. Within RTWVF's therapeutic focus,

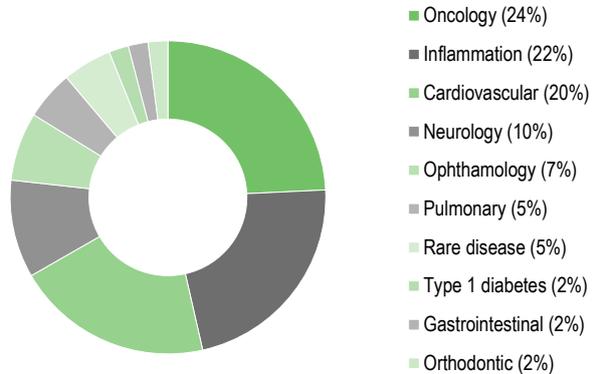
there is a 5pp higher weighting in both cardiovascular and neurology and lower weightings in rare diseases (-7pp) and oncology (-6pp).

Exhibit 4: Modality exposure at 30 June 2022



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

Exhibit 5: Therapeutic focus exposure at 30 June 2022



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

NAV performance since launch: Ahead of sector indices

Exhibit 6: Two-year discrete performance data

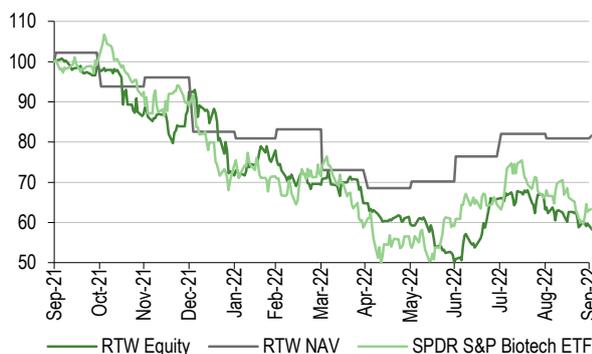
12 months ending	Share price (%)	NAV (%)	SPDR S&P Biotech ETF (%)	NASDAQ Biotechnology (%)	MSCI World (%)	CBOE UK All Companies (%)
30/09/21	25.4	29.9	13.0	20.2	28.8	28.5
30/09/22	(40.8)	(19.1)	(36.9)	(25.3)	(19.6)	(3.4)

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

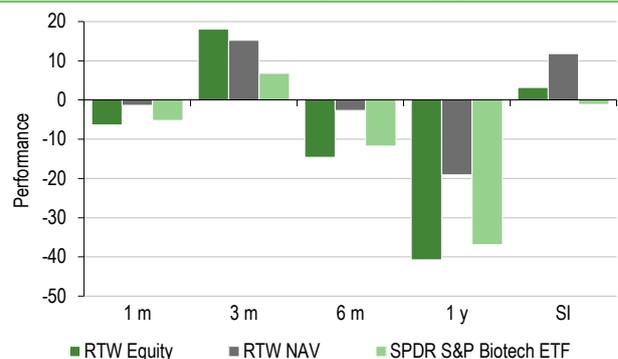
RTWVF's H122 (ending 30 June) 26.8% NAV total return decline was primarily due to its core public holdings (-17.6pp) with other public holdings (-11.7pp), which was modestly offset by its core public holdings (+1.3pp) and performance fee allocation and expenses (+1.3pp) as the NAV decline led to a credit in the performance fee accrual. The largest positive contributors were RTW Royalty Holding 1 (+4.9pp – sale of Mavacamten to Bristol Myers Squibb), RTW Royalty Holding 2 (+0.5pp), Immunocore (+0.3pp) and CinCor Pharma (+0.1pp). The top detractors were Rocket Pharmaceuticals (-5.3pp), Ji Xing Pharmaceuticals (-2.4pp), C4 Therapeutics (-2.0pp) and Avidity Biosciences (-2.0%). During H122, RTWVF's NAV total return (-26.8%) outperformed its small-cap benchmark (-39.1%) but lagged the NASDAQ Biotechnology Index's -20.7% total return. Its share price lagged its NAV, leading to a widening in the company's discount.

Exhibit 7: Investment company performance to 30 September 2022

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. Since inception (SI) figures annualised.

As shown in Exhibit 8 below, RTWVF's NAV has outperformed the SPDR S&P Biotech ETF (a multi-cap index) and the NASDAQ Biotechnology Index (larger-cap biotech stocks) over all periods shown.

Exhibit 8: Share price and NAV total return performance, relative to indices (%)						
	One month	Three months	Six months	One year	Since inception	
Price relative to SPDR S&P Biotech ETF	(1.2)	10.5	(3.2)	(6.1)	13.4	
NAV relative to SPDR S&P Biotech ETF	4.1	7.9	10.2	28.2	43.2	
Price relative to NASDAQ Biotechnology	(4.1)	17.2	(6.0)	(20.8)	(3.7)	
NAV relative to NASDAQ Biotechnology	1.0	14.4	7.1	8.2	21.6	
Price relative to MSCI World	3.2	25.8	8.6	(26.3)	(1.7)	
NAV relative to MSCI World	8.7	22.8	23.7	0.7	24.1	
Price relative to CBOE UK All Companies	(0.6)	22.1	(7.1)	(38.7)	7.1	
NAV relative to CBOE UK All Companies	4.7	19.2	5.8	(16.2)	35.2	

Source: Refinitiv, Edison Investment Research. Note: Data to end-September 2022. Geometric calculation in US dollar terms.

Peer group comparison

RTWVF is the smallest of the seven funds in the AIC Biotechnology & Healthcare sector. To enable a broader comparison, we also include two Switzerland-listed funds, BB Biotech and HBM Healthcare Investments in the selected peer group in Exhibit 9. Of the four funds that primarily invest in biotech stocks (RTW, BB Biotech, Biotech Growth Trust and International Biotechnology Trust), RTWVF's NAV total returns rank first over the last one and second over the last two years. Its closest peer is Syncona, another early-stage investor, but that company has around half of its portfolio in treasury bills and cash, while RTWVF uses its non-core listed holdings to fund new core investments. It has lagged the performance of Syncona over the last 12 months, but has a meaningfully higher NAV total return over the last two years. RTWVF currently has the second-widest discount in a group where only one fund is trading at a premium. It has the joint-highest ongoing charge in the selected group 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: Selected peer group at 14 October 2022* (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	243.2	(19.1)	5.1			(21.6)	1.8	Yes	100	0.0
BB Biotech	2,948.5	(26.5)	7.7	18.3	(0.7)	5.6	1.2	No	103	7.2
BB Healthcare	1,076.4	(23.5)	(3.2)	38.1	51.0	(2.6)	1.1	No	106	3.7
Biotech Growth Trust	429.3	(33.8)	(33.9)	29.4	(0.6)	(7.2)	1.1	Yes	107	0.0
HBM Healthcare Investments	1,497.7	(17.0)	6.9	59.7	110.7	(23.0)	1.8	Yes	100	4.5
International Biotechnology Trust	294.2	(22.2)	(17.0)	20.0	12.0	(6.8)	1.2	Yes	109	5.0
Polar Capital Global Healthcare	433.3	(12.6)	9.0	30.6	41.9	(6.8)	0.9	Yes	107	0.6
Syncona	1,292.5	(4.7)	(16.0)	(9.9)	7.9	(13.3)	0.5	No	100	0.0
Worldwide Healthcare Trust	2,343.2	(19.2)	(10.9)	26.0	22.5	(8.6)	0.9	Yes	102	0.8
Simple average (9 funds)	1,173.1	(19.9)	(5.8)	26.5	30.6	(9.4)	1.2		104	2.4
RTW rank in peer group	9	4	4			8	8=		7=	7=

Source: Morningstar, Edison Investment Research. Note: *Performance at 30 September 2022. 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.

Valuation: Negatively affected by investor risk aversion

RTWVF's valuation has declined over the past few months during a period of heightened investor risk aversion. Its shares are trading at a 20.1% discount to cum-income NAV, which is considerably wider than the 5.0% average discount (based on monthly NAVs) over the last year (range of a 21.8% premium to a 27.9% discount) and the average 4.1% premium since the fund was launched in October 2019.

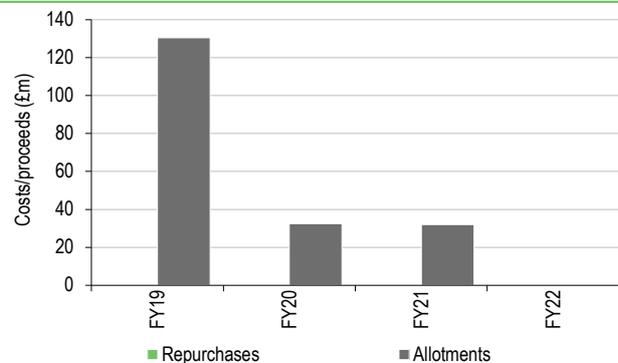
The board has the authority to issue new shares up to 20% of the outstanding share base in any rolling 12-month period without filing an updated prospectus, providing they are issued on a non-dilutive basis at a premium to NAV. It also has an annual authority to repurchase up to 15% of shares outstanding to manage a discount. In FY21, c 20.9m shares were issued (c 10.9% of the share base) raising net proceeds of c \$44.1m, which added c 1% to NAV per share. There have been no allotments or share repurchases so far in FY22.

Exhibit 10: Premium/discount since launch (%)



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

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.

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

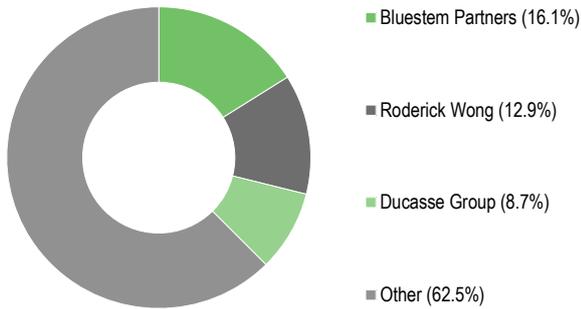
RTWVF may employ gearing up to 50% of NAV at the time of drawdown for investment and working capital purposes. At end-June 2022, net gearing was 0%.

Fees and charges

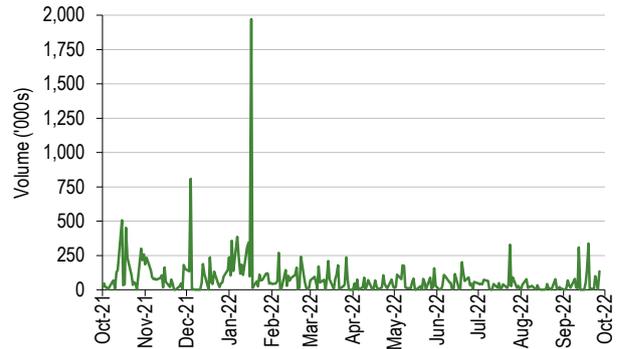
RTW receives a monthly management fee, in advance, at the beginning of each month in an amount equal to 0.104% (1.25% pa) of RTWVF's NAV. A performance fee is payable based on 20% of the change in NAV (adjusted for share issuance and the weighted number of shares in issue during the reporting period). 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 FY21, RTWVF's ongoing charges excluding performance fees were 1.78%, which was 32bp lower than 2.10% in FY20 (no performance fee was payable).

Capital structure

RTWVF currently has 212.4m ordinary shares in issue. Its average daily trading volume over the last 12 months is c 85k shares. As shown in the chart below, RTW's manager, Roderick Wong, is its second-largest shareholder.

Exhibit 12: Major shareholders


Source: Bloomberg. Note: As at 31 August 2022.

Exhibit 13: Average daily volume


Source: Refinitiv. Note: 12 months to 14 October 2022.

The board

Exhibit 14: RTWVF's board of directors

Board member	Date of appointment	Remuneration in FY21	Shareholdings at end-H122
William Simpson (chairman)	2 October 2019	\$68,941	200,000
Paul le Page	2 October 2019	\$55,153	103,000
William Scott	3 October 2019	\$48,259	179,381
Stephanie Sirota	2 October 2019	\$42,000	1,000,000

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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