

International Biotechnology Trust (IBT)

05/11/2024

Results analysis from Kepler Trust Intelligence

Once again, IBT has beaten the NASDAQ Biotechnology Index with a NAV total return of 15.9% for the year ending 31/08/2024, compared to 15.3% for the benchmark index (on a sterling-adjusted basis with dividends reinvested). The share price total return was 10.3% due to a widening of the discount during the year, despite the trust's strong performance.

The biotech sector saw a marked recovery over the financial year, driven by investor confidence that interest rates had peaked at the end of 2023. This recovery started with the larger-cap pharmaceutical companies and later broadened to small and mid-cap companies, reflecting renewed confidence in the sector.

IBT's portfolio continued to benefit from M&A activity, with the acquisition of two quoted holdings by Bristol Myers Squibb during the financial year. The company's acquisition of commercial-stage, targeted lung cancer specialist Mirati Therapeutics completed in January. This was followed by the completion of its acquisition of Karuna Therapeutics, which has potential first-in-class drugs under development for neurological and psychiatric conditions, with Cobenfy receiving FDA approval in September 2024 for the treatment of schizophrenia.

The private equity portfolio, which currently comprises 8.6% of total assets, is primarily represented by two venture capital funds managed by SV Health. These funds have also had a successful year with two acquisitions and another company achieving a significant uplift in share price following its IPO on NASDAQ.

Chair Kate Cornish-Bowden commented: "It is rewarding to report on the green shoots of a recovery in the biotechnology sector following an unprecedented period of share price declines in the sector. Relative valuations are compelling and the potential rewards for investors in innovative companies developing future treatments look more attractive than ever."

Kepler View

After a three-year bear market, it is encouraging to see clear signs of a recovery in the biotech sector. This reflects more positive sentiment as interest rates start to fall, with an uptick in private and follow-on financing and tentative signs that the IPO pipeline may be strengthening, albeit slowly.

The managers' investment strategy remains focused on identifying companies with innovative technologies, strong intellectual property and solid growth potential. The managers continue to manage 'binary event risk' by reducing exposure ahead of key milestones such as clinical trial results and regulatory approvals. They also take a 'basket' approach to certain therapeutic areas, taking smaller positions across the most promising companies rather than backing a single company.

As a result, Ailsa and Marek continue to demonstrate the benefits of active management in an inherently cyclical sector. The managers believe that the biotech sector is currently entering the 'equilibrium' phase, characterised by strong growth but fair valuations, prompting IBT's well-timed move into higher-growth, earlier-stage small-caps in late 2023. However, there is also a strong emphasis on capital preservation, with the managers reducing the trust's exposure to higher-risk, smaller companies during the downturn in 2022.

Looking ahead, the biotech sector is supported by strong secular growth drivers, including the demographic timebomb of ageing populations, increased healthcare spending by developing countries and the soaring incidence of age-related diseases such as cancer and heart disease. Additionally, falling interest rates could be a tailwind for returns due to the sector's strong historical inverse correlation with US interest rates. We think these robust fundamentals may present an attractive opportunity for investors given IBT's proven track record and current discount.

[CLICK HERE TO READ THE FULL REPORT](#)

Visit [Kepler Trust Intelligence](#) for more high quality independent investment trust research.

Important information

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

[PLEASE SEE ALSO OUR TERMS AND CONDITIONS](#)

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

This information is provided by Reach, the non-regulatory press release distribution service of RNS, part of the London Stock Exchange. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@lseg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

NRAFELFBZFLBFBE