



Results analysis: International Biotechnology Trust

IBT maintained its strong performance into the first half of its financial year...

Update
03 May 2023

- In the half year to 28/02/2023, rising M&A and steady valuations in the biotechnology sector helped power strong outperformance for International Biotechnology Trust (IBT), with the trust reporting NAV total returns of 6.1% and share price total return of 8.0% against a NASDAQ Biotechnology Index (NBI) total return of 1.8%
- Both the quoted and unquoted portfolios benefited from M&A activity, with three holdings in total the subject of takeover bids. A particular highlight was the acquisition of Horizon, at the time 13.5% of the portfolio, by Amgen at a 48% premium
- The managers argue the raised interest rate environment and technology rotation are now baked into valuations, and they anticipate continued M&A activity going forward, with the trust's portfolio firmly tilted towards mid- and small-cap holdings at the half-year end
- With biotechnology still broadly out of favour, IBT's discount currently stands at -7.7%, with the board exercising buybacks in the half-year in order to bring the discount in
- Overall gearing was reduced over the half year, from 14% at 31/08/2022 to 8.2% at 28/02/2023
- The trust's board is in the advanced stages of finding a new fund management firm

Analysts:

Alice Rigby

alice@keplerpartners.com



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

With that in mind, Ailsa and Marek have focused the trust's portfolio on revenue-generating mid-cap companies, which in their view are likely to be the targets of larger companies looking to maintain their revenues in the medium term. This approach has already borne fruit, with three of the trust's quoted holdings the targets of takeover bids in the six months to 28/02/2023. The more significant of these was the acquisition of Horizon, at that time 13.5% of the portfolio, by Amgen at a premium of 45% to the share price at the point of the deal's announcement.

The fund is also invested in unquoted investments via two of its manager, SV Health's unquoted funds, SV Fund VI and SV BCOF, alongside a select range of directly held unquoted investments. One of SV BCOF's investments was the subject of an acquisition during the half-year period, which led to a £5.5m uplift being applied to IBT's investment in the fund.

IBT's board does not have an explicit discount management policy, but does keep this under close

Kepler View

International Biotechnology Trust (IBT) has proved its mettle over a tumultuous two years for the biotechnology industry, as its half-year results confirm. The technology sell-off thrust biotechnology into the limelight as capital rotated into the sector, before rising rates saw it quickly fall out of favour.

The lead managers of IBT, Ailsa Craig and Marek Poszepczynski, have invested in the sector through several cycles. While they freely admit that it is cyclical, their experience means that they feel they are able to see where opportunities are most attractive at any one point in this cycle. Currently, the maturing patent expiration cycle for many of the larger pharmaceutical businesses, means that those companies are looking for new revenue-producing products.



review. With this in mind, and with the discount widening to 6.6% at the end of the last financial year, the board bought back shares over the interim period, narrowing the discount to 4.8% at 28 /02/2023. Since then, the discount has widened out again to 7.7% at the time of writing. In line with the trust's dividend policy of paying out 4% of the previous year-end NAV, a first dividend of this financial year of 14 pence per share was paid out on 27/01/ 2023.

Looking ahead, the managers highlight that an ageing global population continues to be a secular tailwind for the sector. In addition, the catalyst of the COVID pandemic in terms of accelerating the pace of innovation and an evolving regulatory backdrop means products are reaching the market more efficiently. With this in mind, the team also anticipates a restart of biotech sector IPOs.

Earlier this year, the trust's board announced that its investment manager, SV Health Investors Ltd, had given notice on its management agreement for the trust. The board says that is in the advanced stages of finding a new manager, with six shortlisted firms having presented to it.

[Click here to read the HY report on RNS](#)

[Click here to read our latest research on IBT](#)

[Click here to add IBT to your watchlist](#)



Disclaimer

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.

