Results analysis: International Biotechnology Trust

- **International Biotechnology Trust (IBT) has reported a 64.7% NAV per share gain for the 2026 financial year, ending 31/08. This represents significant outperformance of the Nasdaq Biotechnology Index' 52.3%. The share price did even better, up 73.6%.**
- **A key driver of the strong returns was M&A, with 13 portfolio companies being bought out over the year, or c. 27% of NAV. This included the acquisition of Crinetics Pharmaceuticals by Vertex in July, which helped make the stock one of the biggest contributors to return, while the purchases of Apellis by Biogen and Terns by Merck were also significant.**
- **The managers, Ailsa Craig and Marek Pozsepczynski, expect M&A to remain at elevated levels in the coming years, with large-cap pharmaceutical companies needing to replace c. $400bn of revenues at risk from patent expiries by 2033.**
- **However, it wasn't all about M&A in 2026. A position in uniQure was a major contributor after strong trial results, at which point the managers sold it. Meanwhile, the approval of a kidney disease drug saw shares in Travere Therapeutics more than double.**
- **Not holding Moderna was the largest detractor, after a remarkable rally in the shares towards the end of the year following positive phase 3 results for a melanoma drug.**
- **IBT has entered into a new partnership with Schroders Capital to invest in unquoted opportunities. Over the year, the commitment was increased from £10m to £25m, with investments valued at £6.2m in the portfolio as of 30/06/2026, spread across three funds: TCGX Asia Life Sciences I, TCGX III and Third Rock Ventures VII. Together, these strategies provide access to China-linked life sciences, clinical-stage crossover investing and US company creation.**
- **The discount narrowed from 8.9% to 4.1% over the year, with c. 2m shares being bought back (6.3% of the weighted average number of shares in issue).**
- **From 01/09/2025, the fees for the management of the quoted portfolio were reduced from 0.7% to 0.65% per annum, which contributed to the ongoing charges for the year falling to 1% from 1.3%.**
- **The dividend policy is to pay 4% of the previous year's closing NAV in dividends, which means the dividends for the current financial year should increase substantially.**
- **Chair of the board, Kate Cornish-Bowden, said: "Our portfolio managers remain optimistic that structural trends underpinning the robust recovery which the sector has witnessed this year are set to continue. These include a record level of M&A transactions driven by the huge cash reserves of large pharmaceutical companies looking to replenish their pipelines, exciting scientific clinical progress accelerated by artificial intelligence, and the ever-increasing demand for therapeutics in an ageing global population."**

M&A helps International Biotechnology Trust soar ahead of the biotechnology index.
Thomas McMahon
04 November 2026 View latest version

Kepler view

International Biotechnology Trust's (IBT) excellent results illustrate the success of the managers' top-down analysis, validating their long-held view that M&A would surge to address large cap pharma's looming revenue shortfall. They also validate their bottom-up stock selection approach, Ailsa and Marek having successfully identified many companies that have become targets or succeeded under their own steam. They build on the success the managers have had since taking over in March 2021. Most of this period was tough for the industry, but Ailsa and Marek outperformed, and they have now also done so in the first bull market they have been in charge too. We think the combination of macro positioning, which has seen the managers take risk up and down and shift between large and small adeptly, and good stock selection makes IBT an attractive way to play the high growth but volatile biotech industry.

FIVE-YEAR PERFORMANCE
Source: Morningstar
Past performance is not a reliable indicator of future results

Since the end of the financial year, much of the industry has sold off, and IBT's NAV has too. A US rate hike and the potential for more is likely a key reason, given the importance of US rates to biotech valuations, while there have been some concerns about economic growth and stock market valuations which may have made investors more cautious. However, we think the patent cliff should provide some strong structural support to the industry. We may see the prices paid deflate a little, but large-cap pharma's motivation for buying is not rate-sensitive, and increasingly urgent. Already this financial year has seen Merck return to the

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market to buy out another IBT holding, Silence Therapeutics, at a 130% premium to the pre-announcement closing price.

For this reason, we think IBT continues to look like an attractive source of growth and income for those with a medium- to long-term view. Ailsa and Marek have taken their exposure to small-caps down a little in recent months, and shifted the portfolio to clinically de-risked companies, maintaining their focus on those with strong balance sheets that can be self-sustaining. This shows they recognise the near-term risks and want to be more cautiously positioned than a year ago, particularly ahead of the US mid-terms which could be another source of volatility depending on how the discourse and the voting goes. However, as their commentary in the report makes clear, clinically de-risked companies are also those which are closest to getting drugs to market, which should make them prime takeover targets. So, this is certainly not a defensive position, but reflects where the managers view the best risk-adjusted potential. Indeed, the managers note, “the backdrop for the sector is the strongest we have seen in several years,” with M&A, a broad range of important medical breakthroughs and plenty of companies with strong commercial potential all contributing to the medium to long-term attractions.

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