Results analysis: International Biotechnology Trust

IBT has delivered strong outperformance as biotechnology recovers.

Update
13 May 2026

- **International Biotechnology Trust (IBT) has reported outstanding returns for a half-year which saw the biotechnology index rally. NAV total returns of 35.7% were well ahead of the 29.5% total return of the Nasdaq Biotechnology Index (NBI). Share price total returns were even better, at 39%, as the discount narrowed from 8.9% to 6.7%, as of 28/02/2026.**

- **Despite some volatility in markets due to the war in the Middle East, the NAV is up a further 8.7% since the year-end, although the discount was slightly wider at 8.7% as of 10/05/2026.**

- **M&A was a key driver of returns, with five portfolio companies taken out during the period, and this has continued to deliver gains since period-end. However, the largest contributions to performance came from positive approval or trial newsflow for uniQure, Vera Therapeutics and Terns Pharmaceutical. The managers' trading decisions were particularly impactful in the case of uniQure, helping them lock in large gains before a reversal of the regulatory decision.**

- **During the period, a small initial investment was made in a venture capital fund under the new Schroders Capital partnership which is expected to ramp up over time, subject to the board's guidance that the trust's unquoted allocation remains within 5-15% of NAV.**

- **The quoted portfolio remains positioned in late-stage development and recently commercialised companies, where the managers find attractive valuations and the potential for consolidation and acquisition by large caps.**

- **With the shares trading on a discount, the board regularly bought back shares, adding to the NAV total return. In total, c. 5.4% of shares in issue at the start of the period were repurchased.**

- **IBT continues to make dividend payments equivalent to 4% of the trust's NAV in the last day of the preceding financial year ending 31 August, meaning it offers income investors a way to participate in biotechnology's growth too.**

- **On 12/02/2026, Schroders plc announced that it had agreed the terms of a recommended cash acquisition by Nuveen LLC. The transaction is not expected to complete until Q4.**

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- **Chair of the board, Kate Cornish-Bowden, said: "It has been gratifying to witness a rebound in the biotechnology sector following a significant sell off. The relative outperformance has been sustained by exciting innovation, a higher number of successful Food and Drug Administration (FDA) approvals and increasing evidence of merger and acquisition (M&A) activity."**

Kepler View

Biotechnology is an industry with high growth potential which was out of favour for a number of years. High interest rates were unhelpful, as was policy uncertainty in the US. More recently, growth investors were focussed on artificial intelligence and far less interested in other routes to rapid share price appreciation. However, in the period under review each of these clouds lifted somewhat, and IBT's shareholders reaped the rewards. Markets have been a bit more risk-conscious since the outbreak of hostilities in the Middle East, but we don't think the underlying picture has changed much. It certainly seems that investors are looking outside the AI trade for growth, with demanding valuations being a motivating factor.

Equally as crucially, the industry looks attractive from a bottom-up basis too. Strong M&A during the half-year under review has continued into the second half of the 2026 financial year, with five more portfolio companies acquired by 29/04/2026, each at a meaningful premium. Managers Ailsa Craig and Marek Poszepczynski have focussed the portfolio on companies which are nearing or at the commercialisation stage, which makes them attractive acquisitions for the large caps facing looming patent expiries, while also meaning they could potentially stand on their own two feet and prosper independently. As well as the patent cliffs and advances being made via a number of modalities, high levels of cash and compelling valuations are among the industry's attractions.

Ailsa and Marek have a good track record since taking over IBT in March 2021. While much of this involves outperforming in some tough markets for biotech, they have now shown their strategy can outperform in a rallying market too. In particular, their current positioning is continuing to prove beneficial; despite some evidence investors preferred the large caps entering 2026, with IBT heavily tilted to small and mid-caps, the trust is now back ahead of the NBI year-to-date thanks to the returns delivered by M&A. We think IBT remains an attractive way to take exposure to biotechnology via a risk-conscious approach which has proven its potential. Uncertainty over inflation and interest rates might have dampened investor enthusiasm slightly in the short term, but we think there is enough pent-up value and growth potential to continue to deliver once the mood lightens, while M&A looks set to continue to deliver rewards in the meantime.

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