BB Biotech

Company Comment	Investment/Holding	15 December 2023

Lively days with positive news from two core holding companies

In the past two days we have seen two key trial readouts from two of BB Biotech's core holding companies: Vertex (10% of securities) announced positive results from the Ph2 trial of its VX-548 for painful diabetic peripheral neuropathy, sending the shares up 13%. On 14 December, Moderna and Merck announced positive follow-up data from the Ph2 trial of their combination drug for patients with resected high-risk melanoma (skin cancer). Moderna shares are up 10%.

Vertex with positive results from Ph2 trial of VX-548

On Wednesday (13 December), Vertex (BB Biotech's fourth-largest position) announced positive results from the Phase 2 study of VX-548, an NaV1.8 blocker for the treatment of painful diabetic peripheral neuropathy (DPN). The trial results sent the shares up 13%.

DPN is a common nerve problem in people with diabetes, usually affecting feet and legs. Painful DPN is present in nearly 25% of people with diabetes. VX-548 is a non-opioid pain medicine. The primary endpoint of the VX-548 study was change from baseline in the weekly average of daily pain intensity on a Numeric Pain Rating Scale (NPRS) at Week 12. NPRS is an 11-point scale, ranging from 0 (no pain) to 10 (worst pain imaginable). All VX-548 treatment groups showed statistically significant and clinically meaningful reductions from baseline in pain with a mean change in NPRS at Week 12 of -2.26, -2.11 and -2.18 at the high, mid and low doses, respectively. VX-548 was generally well tolerated at all doses. The majority of adverse effects (AE) were mild or moderate in severity and there were no reported serious reported AE. Following the positive results, Vertex plans to advance VX-548 into pivotal development (Phase 3) following discussions with regulators.

Vertex is the fourth-largest holding in BB Biotech's portfolio, constituting c. 10% of the securities value. Vertex shares jumped 13% following the trial results release, leading to an increase of c. 3.5% in BB Biotech's NAV. Vertex is up 39% so far this year.

Moderna and Merck with follow-up data from trial of combination drug

On 14 December, Moderna and Merck announced follow-up data from the Phase 2b randomised KEYNOTE-942/mRNA-4157-P201 study. This was a clinical trial evaluating Moderna's mRNA-4157 in combination with KEYTRUDA, Merck's anti-PD-1 therapy, in patients with resected high-risk melanoma (stage III/IV) following complete resection.

Melanoma is the most serious form of skin cancer, characterised by the uncontrolled growth of pigment-producing cells. In the US, skin cancer is one of the most common types of cancer diagnosed,

and melanoma accounts for a large majority of skin cancer deaths.

mRNA-4157 (V940) is a novel investigational mRNA-based individualised neoantigen therapy that is designed and produced based on the unique mutational signature of the DNA sequence of the patient's tumor. KEYTRUDA is an immunotherapy that works by increasing the ability of the body's immune system to help detect and fight tumour cells. The combination may provide a meaningful benefit in patients with high-risk stage III/IV melanoma over KEYTRUDA alone.

At a median planned follow-up of approximately three years, mRNA-4157 in combination with KEYTRUDA reduced the risk of recurrence or death by 49% and the risk of distant metastasis or death by 62% compared to KEYTRUDA alone in stage III/IV melanoma patients with high risk of recurrence following complete resection.

Importantly, the KEYNOTE-942/mRNA-4157-P201 study was the first demonstration of efficacy for an investigational mRNA cancer treatment in a randomised clinical trial and the first combination therapy to show a significant benefit over KEYTRUDA alone in adjuvant melanoma. KEYTRUDA is currently approved in the US for the treatment of patients with unresectable or metastatic melanoma and for the adjuvant treatment of adult and paediatric patients with stage IIB, IIC, or III melanoma following complete resection.

The shares of Moderna rose 10% following the news. However, Moderna is still down 52% so far this year, so the positive news was needed. BB Biotech has had a stake in Moderna since Q1 2018 (hence, prior to the company going public). The position constitutes 5.5% of BB Biotech's securities.

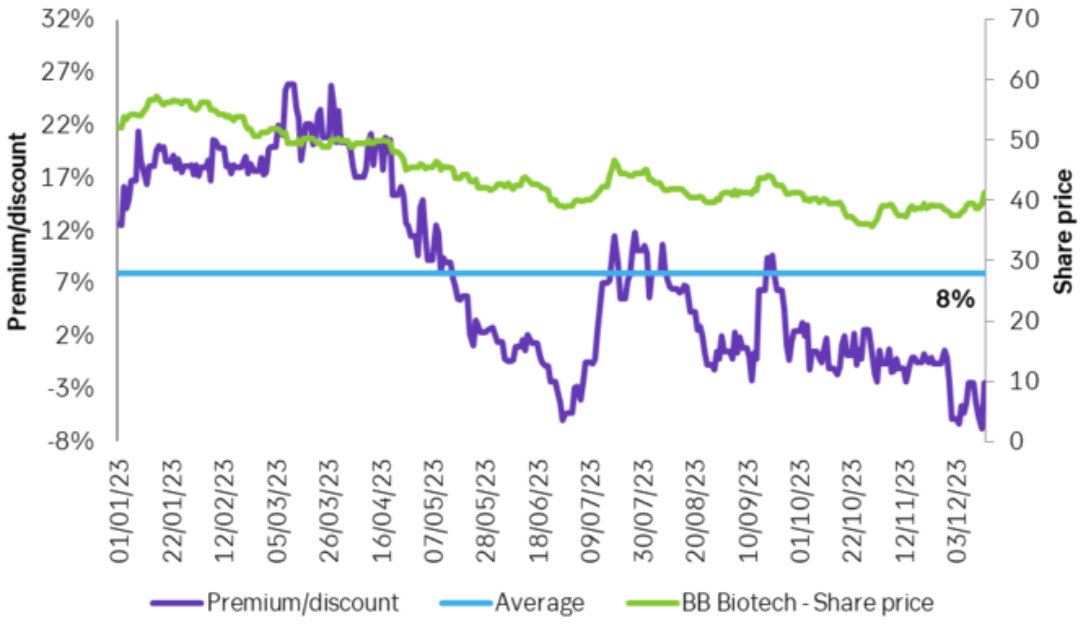
BB Biotech trades on a discount to its NAV

For the last 12 months, the shares of BB Biotech have traded on an average 8% premium relative to the NAV of the underlying portfolio. On a five-year basis, the premium has averaged 14%. Nevertheless, we believe it is fair for BB Biotech to trade on a premium for two main reasons:

- The fund’s track record of outperforming the benchmark.
- An investment team that consists of scientific professionals, which means that investors can secure exposure to the biotechnology sector without having the scientific knowledge needed in order to understand the companies and their products/services.

Currently, however, the share price of BB Biotech is lower than its NAV. Hence, the shares currently trade on a discount, althoguh this discount is low (-2.5%).

BB Biotech premium/discount development so far this year



Source: SEB, Bloomberg

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