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Company Comment	Investment/Holding	26 April 2024
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## Q1: Opportunistic despite apprehension to interest rate environment

**Apprehension concerning Fed's approach to interest rate cuts in '24 triggered a downturn for biotech sector in March. BB Biotech's investment level is close to upper limit (114%, limit: 115%), reflecting the management team's optimistic outlook for the biotech sector. A devaluation of the Swiss Franc against major currencies like the USD provided a significant boost to BB Biotech's portfolio in Q1/24. Share can be bought at 3% discount to NAV.**

### Profit taking in larger holdings and return boosted by weakening of CHF

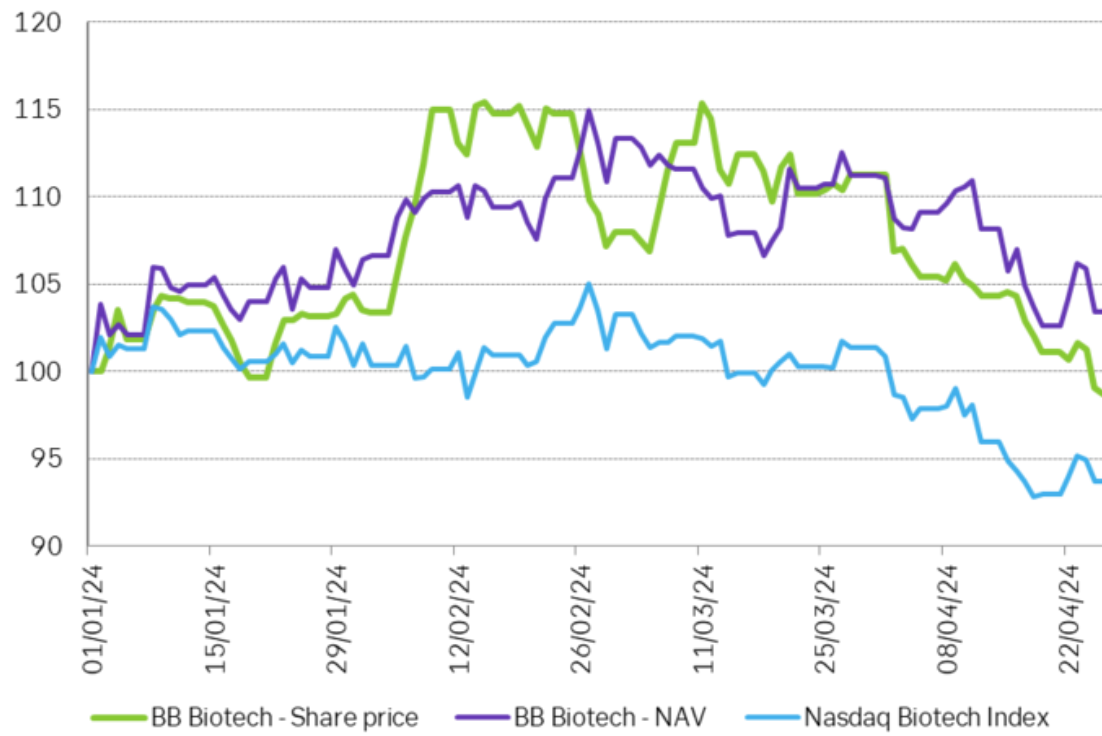
In the first quarter, portfolio adjustments primarily involved capitalising on gains from larger, established long-term holdings. BB Biotech did not exit any positions, but it did engage in several profit-taking activities targeted its mid-to-larger holdings, including Vertex, Argenx, Ionis, IntraCellular, Moderna, and Neurocrine.

During Q1/24, BB Biotech added one new company to its portfolio, Annexon Biosciences. Annexon is a late-stage clinical company focused on developing therapeutic candidates aimed at the complement system to tackle severe autoimmune disorders. Annexon is conducting ongoing clinical trials in multiple serious autoimmune, neurodegenerative and ophthalmic diseases. Furthest in the clinic is ANX005, a monoclonal antibody for the Guillain-Barré Syndrome. The company expects to report Ph3 results in Q2/24 and prepare a submission to the regulatory authorities in the latter half of the year. Annexon is a small-cap with USD ~410m in market cap. BB Biotech bought a little over 1m shares in the company, corresponding to a 2.4% stake in the company (constitutes 0.5% of BB Biotech's portfolio).

In the first quarter, the general equity market reached unprecedented all-time highs, fuelled by reinforced expectations of central bank interest rate cuts later in 2024, a persistently robust economy, and the potential of artificial intelligence to catalyse a new industrial revolution. The broader healthcare sector saw gains, bolstered by sustained momentum among leading companies in the field of managing the obesity epidemic. However, biotechnology, as reflected by the broader NBI Index, underperformed during this period.

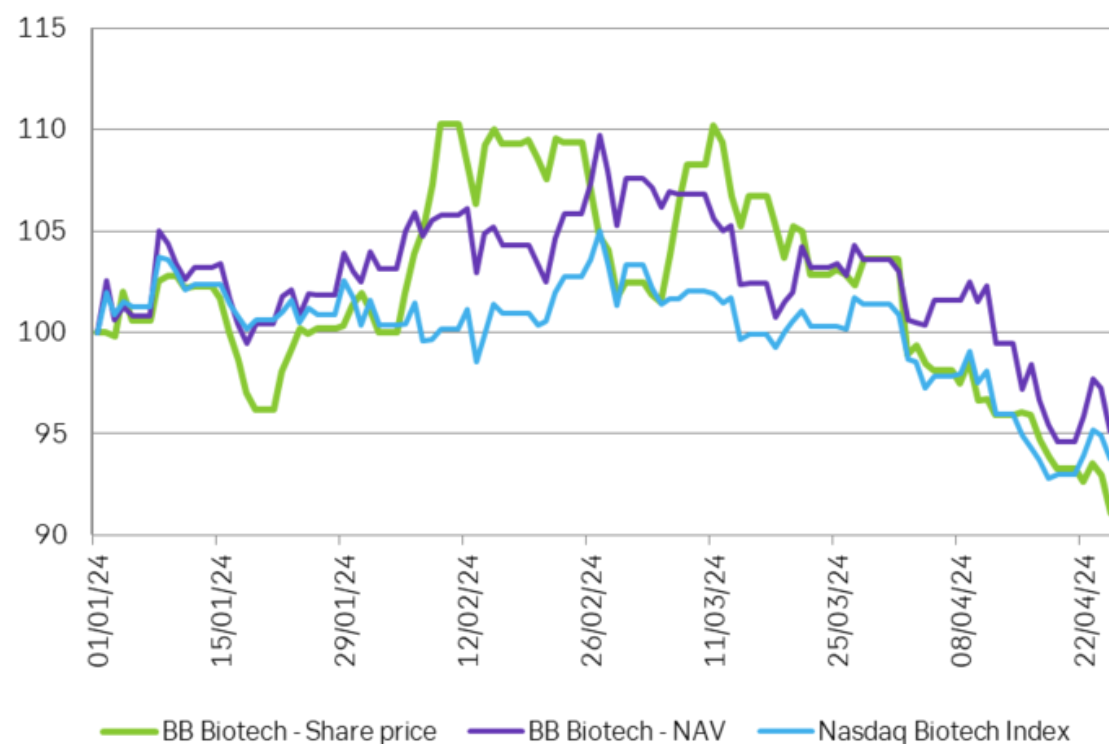
The S&P 500 was up 10.2% in the first quarter, and the Euro Stoxx by 9.7%. The Nasdaq Biotechnology Index (NBI), however, lagged behind with a return of 1.4% in the quarter. Biotech investments, often viewed as vulnerable to fluctuations in the interest rate environment, enjoyed a promising start through the end of February. However, apprehension concerning the Federal Reserve's approach to interest rate cuts in 2024 triggered a downturn in March. BB Biotech significantly outperformed the broader biotech market with a return for the quarter of 11.3% in CHF. This is heavily

due to FX. In the quarter, the Swiss Franc was significantly devalued against other major currencies (due to the Swiss National Bank's unexpected rate cut by 25 bps in March). The outperformance of BB Biotech relative to the NBI is therefore rather modest, when measuring in USD (3.6% return of BB Biotech share).

**BB Biotech vs. NBI performance, YTD (CHF)**

Source: SEB, Bloomberg

## BB Biotech vs. NBI performance, YTD (USD)



Source: SEB, Bloomberg

## 2024 outlook

There are several clinical trial read-outs anticipated for BB Biotech's portfolio companies in 2024. BB Biotech highlights the following events as highest focus points:

### Key news to look out for in holding companies

Company	Event	Stake*
Alnylam	Phase III HELIOS-B results for vutrisiran in TTR cardiomyopathy patients	4.3%
Agios	ENERGIZE-T results for Pyrukynd in transfusion-dependent alpha- and beta-thalassemia patients.	3.7%
MacroGenic	Update on Ph2 TAMARACK study for vobra-duo in metastatic castration-resistant prostate cancer patients.	4.7%
Revolution	Presentation for RMC-6236, a multi KRAS inhibitor	5.3%
Moderna	Anticipated US approval of the RSV vaccine mRNA-1345 in Q2/24	5.8%

Source: SEB, BB Biotech

\* Size of investment relative to BB Biotech's total securities

Although M&A activity has been rather subdued in the biotech sector in the first quarter, BB Biotech anticipates an uptick in takeover activity for the remainder of 2024. BB Biotech did not engage in the otherwise few, smaller-sized public M&A transactions announced.

## Currently a ~3% discount to the share relative to net asset value

Because all but one of the companies in BB Biotech's investment portfolio are listed, it is straightforward to use market values and calculate the net asset value of the portfolio.

The net asset value of BB Biotech's portfolio is CHF 2,324m or CHF 42.0 per share. Compared to its share price of CHF 40.6, BB Biotech is trading at a 3.7% discount to the value of its underlying portfolio.

Assessed by the historical relative ratio of BB Biotech's share price to its NAV, the share of BB Biotech is currently relatively cheap. For the last 12 months, the share has on average been priced quite similarly to its NAV, at an average premium of 1.5%. Looking 5 years back, the share has on average traded 13% higher than the underlying value.

### Net Asset Value of BB Biotech's portfolio

Main listing	SIX Swiss Exchange	Market cap (CHFm)	2,238
Share Price (CHF)	40.4	No. of shares	55,400,000
Net Asset Value per share (CHF)	42.0	Net Asset Value (CHFm)	2,324
Premium (%)	-3.7%	Dividend 2023 (CHF)	2
12 month avg. premium ratio	1.5%	Yield (%)	5.0
5 year avg. premium ratio	13.1%		

Company	Number of Shares	CCY	Price	Value (CHFm)	1st Share (CHF)	Share of GAV	Share of NAV
Argenx SE	770,000	USD	369	259	4.7	9.8%	11.1%
Ionis Pharmaceuticals Inc	8,260,000	USD	42	315	5.7	11.9%	13.6%
Vertex Pharmaceuticals Inc	580,000	USD	398	210	3.8	8.0%	9.1%
Neurocrine Biosciences Inc	2,040,000	USD	138	256	4.6	9.7%	11.0%
Intra-Cellular Therapies Inc	2,800,000	USD	72	184	3.3	7.0%	7.9%
Moderna Inc	1,700,000	USD	106	165	3.0	6.2%	7.1%
REVOLUTION Medicines Inc	5,046,700	USD	35	163	2.9	6.2%	7.0%
Amylin Pharmaceuticals Inc	909,700	USD	144	119	2.2	4.5%	5.1%
Incyte Corp	2,150,000	USD	51	100	1.8	3.8%	4.3%
Sage Therapeutics Inc	3,505,000	USD	14	43	0.8	1.6%	1.9%
Agios Pharmaceuticals Inc	4,000,000	USD	32	116	2.1	4.4%	5.0%
Arvinas Inc	2,494,531	USD	32	72	1.3	2.7%	3.1%
Relay Therapeutics Inc	5,925,000	USD	6	33	0.6	1.3%	1.4%
Fate Therapeutics Inc	4,839,779	USD	4	17	0.3	0.6%	0.7%
CRISPR Therapeutics AG	610,000	USD	54	30	0.5	1.1%	1.3%
Celldex Therapeutics Inc	2,796,615	USD	36	93	1.7	3.5%	4.0%
Exelixis Inc	1,900,000	USD	24	41	0.7	1.5%	1.8%
Esperion Therapeutics Inc	9,944,064	USD	2	18	0.3	0.7%	0.8%
Beam Therapeutics Inc	1,193,121	USD	22	24	0.4	0.9%	1.0%
MacroGenics Inc	9,929,963	USD	14	130	2.3	4.9%	5.6%
Generation Bio Co	3,861,575	USD	3	11	0.2	0.4%	0.5%
WaVe Life Sciences Ltd	4,094,458	USD	5	18	0.3	0.7%	0.8%
Scholar Rock Holding Corp	2,132,725	USD	14	27	0.5	1.0%	1.2%
Essa Pharma Inc	7,879,583	USD	6	44	0.8	1.7%	1.9%
Molecular Templates Inc	1,029,820	USD	2	2	0.0	0.1%	0.1%
Black Diamond Therapeutics Inc	8,517,839	USD	5	40	0.7	1.5%	1.7%
Immunocore Holdings PLC	965,654	USD	58	51	0.9	1.9%	2.2%
Biohaven Ltd	1,150,000	USD	39	40	0.7	1.5%	1.7%
Annexon Inc	1,029,820	USD	5	4	0.1	0.2%	0.2%
Rivus Pharmaceuticals	Unlisted	USD		16	0.3	0.6%	0.7%
<b>Total shares</b>				<b>2,641</b>	<b>47.7</b>	<b>100%</b>	<b>113.7%</b>
Radius Health - Contingent Value Right	8,733,538	USD	0.0	0.0	0.0	0.0%	0.0%
<b>Total derivative instruments</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>GAV (excl. cash)</b>				<b>2,641</b>	<b>47.7</b>		
Net cash				-317	-5.7		-13.7%
<b>NAV</b>				<b>2,324</b>	<b>42.0</b>		

Source: SEB, Bloomberg

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