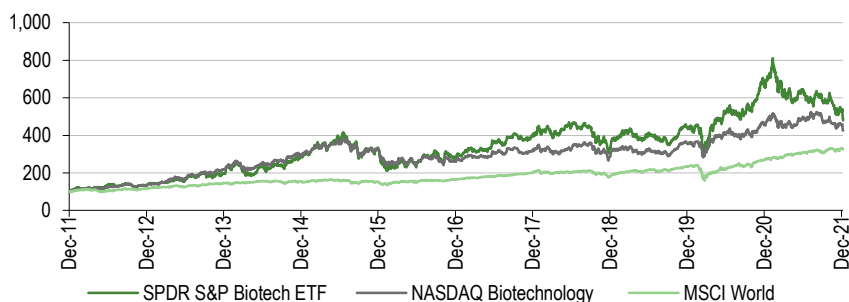


RTW Venture Fund

'One-stop shop' for biotech lifecycle investment

RTW Venture Fund (RTWVF) is managed by healthcare specialist RTW Investments (RTW), which was founded in 2009 by Dr Roderick Wong. It has an innovative approach, focusing on attractive individual assets rather than on companies, so it engages across the corporate lifecycle, from business formations through to investing in much larger listed biotech and medtech companies. RTW is focused on identifying and developing next-generation therapies to significantly improve patients' lives. Since launch, RTWVF's number of investments in private companies has accelerated and the manager is very excited by the global opportunities available.

Despite periods of volatility, biotech stocks have outperformed the global equity market over the long term



Source: Refinitiv, Edison Investment Research.

Why invest in biotech now?

Fundamentals within the biotech industry remain favourable, with increased demand from a growing, ageing global population. There is a high level of innovation, and the regulatory environment remains accommodative, as evidenced by record numbers of novel drug approvals in the United States in recent years. Long-term investors in the biotech sector have been rewarded with above-average total returns. However, the sector can be volatile; during 2021 there was a sharp drawdown in smaller-cap biotech stocks in particular (as shown by the SPDR line in the graph above), which may point to an opportunity for risk-aware investors with a longer-term horizon.

The analyst's view

RTWVF provides investors with broad exposure to the global biotech (c 85% of the fund) and medtech (c 15%) sectors. Since inception in late October 2019, the fund has outpaced the performance of both small- and large-cap biotech indices. Its approach of being science-based and a full lifecycle investor, including early-stage, means that the manager is constantly adding to its knowledge bank. RTWVF is prepared to build businesses around attractive assets and supports investee companies as they mature, via a range of financing options. Holdings in private companies are often maintained following their initial public offerings (IPOs) to ensure maximum value is realised, while RTWVF also invests in companies that are already public. RTW has announced it is setting up regional offices in the UK and Shanghai, which should broaden the fund's opportunity set.

Investment companies
Biotechnology & medtech

12 January 2022

Price **\$1.72**

Market cap **\$365m**

AUM **\$355m**

NAV* \$1.67

Premium to NAV 3.0%

*As at 30 November 2021.

Yield 0.0%

Ordinary shares in issue 212.4m

Codes RTW (\$), RTWG (£)

ISIN GG00BKTRRM22

Primary exchange LSE

AIC sector Biotechnology &

52-week high/low \$2.46 \$1.53

NAV* high/low \$2.08 \$1.67

*Including income

Net gearing* 2.0%

*As at 30 November 2021

Fund objective

RTW Venture Fund (RTWVF) was launched on 30 October 2019 and is focused on identifying transformative assets with high growth potential across the biopharmaceutical and medical technology sectors. The portfolio contains private as well as publicly listed companies. RTWVF's performance is measured against an index of small-cap biotech stocks and the NASDAQ Biotechnology Index.

Bull points

- Full lifecycle approach to investment provides a wide opportunity set.
- RTW's investment team has deep and growing industry expertise.
- RTWVF provides flexible financing options for its investee companies.

Bear points

- Biotech sector can be volatile.
- Key person risk. RTWVF is heavily reliant on RTW's company founder and managing partner Roderick Wong.
- Concentration risk, with c 15% of the fund invested in Rocket Pharmaceuticals.

Analysts

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[Edison profile page](#)

RTW Venture Fund is a research client of Edison Investment Research Limited

Fund profile: A biotech/medtech specialist investor

RTWVF is managed by RTW, a New York-headquartered investment firm founded in 2009 by managing partner Dr Roderick Wong. He has an MD from the University of Pennsylvania medical school and an MBA from Harvard Business School. Prior to forming RTW he was a managing director and sole portfolio manager for the Davidson Kempner healthcare funds and has held various healthcare investment and research roles at Sigma Capital Partners and Cowen and Company (a sell-side firm).

RTW has three funds: two private, and the listed RTWVF. It employs c 60 people, of whom around half have advanced scientific or medical degrees and/or industry experience, and has more than \$6bn in assets under management. Since launch, the company has had the same mission: to identify transformational therapeutics that can change existing treatment standards. The focus is on individual assets rather than companies, and only those that are ranked by the RTW team as being in the highest quartile of probable success. The manager works collaboratively with its peers as a scientist, business builder and investor; however, there are very few other companies that are full-lifecycle investors.

RTWVF is a Guernsey-domiciled company that was admitted to the Specialist Fund Segment of the London Stock Exchange on 30 October 2019 and migrated to its Premium Segment of the Main Market on 6 August 2021, following shareholder approval at an extraordinary general meeting on 30 July 2021. The fund has also introduced an additional sterling-denominated quote (ticker: RTWG), although its reporting currency will remain US dollars. To satisfy the diversification requirements of the Premium Segment of the London Stock Exchange, the holding in Rocket Pharmaceuticals was reduced to just under 25% from c 29% of RTWVF's net asset value (NAV). At the time of listing, RTWVF's core portfolio had six companies, four of which were developing clinical-stage therapeutics and two were innovative medtech businesses. By the end of November 2021, the number of core companies had grown to 41. RTWVF can be viewed as a 'one-stop shop' providing scientific expertise, capital support, drug development expertise and bespoke financing solutions across the biotech lifecycle.

Recent developments

10 January 2022 – update on portfolio company CinCor Pharma

On 6 January 2022, CinCor Pharma listed on the Nasdaq Global Market (ticker: CINC). The company's IPO was upsized and raised \$193.6m by issuing c 12.1m shares at \$16 per share. On the first day of trading, CinCor's share price remained flat, closing at \$16 per share. Prior to the IPO, RTWVF, together with other funds managed by RTW, participated in CinCor's \$143m Series B financing round in October 2021. The company is a clinical-stage biopharmaceutical company developing next-generation treatments for cardio-renal diseases.

22 October 2021 – update on portfolio company Ventyx Biosciences

On 20 October 2021, Ventyx Biosciences listed on the Nasdaq Global Market (ticker: VTYX). The company's IPO was upsized and raised \$151.5m by issuing c 9.5m shares at \$16 per share. Prior to the IPO, RTWVF, together with other funds managed by RTW, participated in Ventyx's \$114m financing round in March 2021. The company is a clinical-stage biopharmaceutical company advancing a pipeline of novel small molecule therapeutics for patients with inflammatory and autoimmune diseases.

12 October 2021 – new investment in CinCor Pharma

RTWVF participated in CinCor Pharma's \$143m Series B financing round, the proceeds of which are intended to advance the development of CIN-107, an oral small molecule inhibitor of aldosterone synthase, for the treatment of hypertension, primary aldosteronism and chronic kidney disease.

11 October 2021 – update on portfolio company Pyxis Oncology

On 7 October 2011, Pyxis Oncology listed on the Nasdaq Global Market (ticker: PYXS). The company's IPO was upsized and raised \$168m by issuing 10.5m shares at \$16 per share. Prior to the IPO, RTWVF, together with other funds managed by RTW, co-led Pyxis's \$152m Series B financing round in March 2021. The company is a preclinical biotechnology company building a differentiated portfolio of biologics, including antibody-drug conjugates and immunotherapies, to improve the lives of patients with difficult-to-treat cancers.

16 September 2021 – H121 results to 30 June

During H121, RTWVF's NAV and share price total returns of -2.7% and +9.0%, respectively, compared with the NASDAQ Biotechnology Index's +8.5% total return and a 4.5% decline in its small-cap benchmark. The pace of capital deployment accelerated, with the number of private company investments in H121 being almost as high as during the whole of 2020. At end-FY20 RTWVF had 22 core portfolio companies, 13 private and nine public (all of which were originally investments in private companies). During H121, 13 private core names were added, one of which, Inivata, was acquired by NeoGenomics, meaning that at the end of the period RTWVF had 34 core portfolio companies (19 private and 15 listed). Six portfolio companies listed during the period, with an average 2.1x step-up from the initial time of investment to IPO and an average holding period while private of 0.7 years; on the first day of trading the average share price uplift was c 19%.

9 September 2021 – new investment in Lycia Therapeutics

RTWVF participated in Lycia Therapeutics' \$70m Series B funding round, which is intended to advance the company's discovery pipeline of lysosome targeting chimera (LYTAC) degraders. Lycia is a privately held biotech company developing an extracellular protein degradation platform to target the untapped extracellular proteome, including cell surface receptors and secreted proteins. This platform could be extended to several therapeutic modalities, including antibodies and small molecules, with the potential to inhibit many targets previously considered intractable across a spectrum of therapeutic areas and diseases.

8 September 2021 – new investment in InBrace

RTWVF participated in InBrace's \$102m Series D funding round, the proceeds from which are intended to accelerate the company's growth by expanding its sales force, launching new marketing initiatives, and driving further support and integration with new and existing orthodontic providers across the United States. InBrace is a privately held medtech company pioneering Smartwire, which is a behind-the-teeth teeth straightening approach. The company treats all types of orthodontic cases from mild to severe malocclusions.

The manager: RTW Investments

The manager's view: Well positioned fund in a growing industry

Over time, the biotech/medtech landscape has changed, as there is now an accelerated pace of innovation than historically; more drugs are being approved and development times are quicker. RTW has participated in this evolution by broadening its focus and has invested in private companies since 2010. Being an early investor allows access to non-public company data, which is

considered to be very important as it provides a better understanding about how new therapies may perform in preclinical studies. It also allows the manager to build conviction in early-stage products, and enables it to support and develop strong relationships with investee companies. The investment approach is long term, with positions continuing to be held after a portfolio company's IPO, which is a differentiating feature. RTW has been an active crossover (last round of financing prior to an IPO) investor since 2015 and RTWVF was launched in late October 2019 to provide funds for private investments; it is a full-lifecycle investor from new company creation to later-stage investments in both private and public firms. RTWVF enters at what the manager considers to be an interesting point in a company's lifecycle, and investments remain in the portfolio until perceived full value is realised. The assessment of potential peak value is constantly re-evaluated after each subsequent data point following investment.

RTWVF has a closed-end structure with permanent capital, so it is not constrained by limits on its weighting in private companies, nor by having a structural capital cycle like a private equity firm. The manager is encouraged that RTWVF regularly trades at a premium and believes that London is the most vibrant place for listed investment companies, while the city also provides proximity to the growing biotech ecosystems in the UK and Europe, regions that have a less well-developed crossover investment environment than the United States.

The biotech sector can be volatile and the manager explains that since 2015/16 there have been significant sell-offs in the biotech sector every 18 months or so, including due to concerns about US drug pricing and the 2020 pandemic correction. RTW says that the overall sector is currently trading in line with historical average valuation multiples but there has been a significant sell-off in small- and mid-cap stocks; the February to August 2021 decline of more than 30% was the fourth largest on record.

The manager highlights what it believes caused the sharp sell-off in smaller-cap biotech stocks:

- Biotech stocks performed very strongly in 2020, with small-caps leading large-caps by 2:1, so there has been an element of profit taking; generalist investors have been net sellers.
- Concerns about a reduction in quantitative easing and higher interest rates have hurt the performance of growth and small-cap stocks.
- In the United States, drug pricing is front-page news again; however, the manager is optimistic about the likelihood of a reasonable outcome and believes that lower drug prices would be more than made up for by higher volumes.
- US Federal Trade Commission antitrust (monopoly) concerns.
- The new US Food and Drug Administration (FDA) commissioner has not yet been appointed.
- There has been a series of FDA new drug rejections and trial failures. However, the FDA remains pro-innovation, as evidenced by the continued high level of drug approvals; there has been an elevated number of approvals for new molecular entities for the last five years.

There has been a degree of merger and acquisition (M&A) activity within the biotech sector – recent announcements include Merck's \$11bn bid for Acceleron Pharma (the deal was delayed but has now completed) and Sanofi's \$3.2bn bid for its partner Translate Bio (mRNA technology) – but so far this has not encouraged a change in investor sentiment towards the biotech sector. Smaller-cap names within the sector remain under pressure; however, RTW is continuing to focus on making private investments.

Over the last several years, the biotech sector has seen double the number of new technologies developed; these include gene therapies, mRNA vaccines and gene editing. There has been a major acceleration in innovation driven by the dramatic fall in costs involved in sequencing the human genome, from c \$1bn in 2003 to sub-\$1,000 today. As a result, there is a greater understanding of genetic pathways and improved diagnostics tools, which are leading to better drugs in terms of both efficacy and safety profiles, that can be developed more quickly and efficiently. The manager is very excited about the growth prospects of companies in the biotech

therapeutic and medtech space. Data from RTW show that the market caps of listed biotech firms with gene therapies grew from \$1.1bn in 2013 to \$71.3bn in 2021 (an eight-year compound annual growth rate of 68.3%), while those with RNA medicines grew from \$3.8bn to \$140.7bn over this period (an eight-year compound annual growth rate of 57.3%). mRNA has driven the fastest value creation ever due to COVID-19: ‘the greatest bargain that we have ever had in medicine’, says the manager.

When RTWVF was launched in October 2019, it was anticipated that there would be 10 to 12 new investments in private companies each year. However, this pace has accelerated, with 15 investments in 2020 and a greater number in 2021. There is a much wider opportunity set, which the manager finds very exciting. It considers that the biotech industry is in the very early innings of a major innovation cycle, following on from the biotech revolution that started around 15 years ago with Amgen’s development of bispecific antibodies. The manager expects further M&A in 2022, given the major sell-off in smaller-cap biotech stocks in 2021. Large pharma companies still have significant cash on their balance sheets, and they need to acquire new technologies and innovative businesses to bolster their product pipelines. The manager believes that an uptick in M&A should be very supportive for the performance of biotech stocks.

Asset allocation

Current portfolio positioning

Exhibit 1: Top 10 holdings (as at 30 November 2021)

Portfolio company	Description	Public (inc ticker)/ private	Clinical stage	% of NAV
Rocket Pharmaceuticals	Gene therapy platform company for rare paediatric diseases. Five clinical programmes for Fanconi anaemia, Danon disease, leukocyte adhesion deficiency, pyruvate kinase deficiency and infantile malignant osteopetrosis.	Public (RCKT)	Phase II	15.3
Ji Xing Pharmaceuticals	New company focused on acquiring rights from innovative therapies in the West for development and commercialisation in China.	Private	Phase III	4.7
Prometheus Biosciences	Precision medicine company focused on inflammatory bowel disease, a chronic inflammatory disease of the gastrointestinal tract; lead antibody programme against TL1A.	Public (RXDX)	Phase I	4.3
Avidity Biosciences	Antibody conjugated RNA medicines company. Lead programme for myotonic dystrophy, a degenerative disease with no therapy.	Public (RNA)	Phase I	4.1
RTW Royalty #2	Royalty as a part of RTW-UroGen deal	Private		3.3
Immunocore	T-cell receptor therapy company focused on oncology and infectious disease. Lead programme for uveal melanoma.	Public (IMCR)	Registrational	3.1
C4 Therapeutics	Targeted protein degradation company working on blood cancers.	Public (CCCC)	Phase I	3.0
RTW Royalty #1	Part of an RTW-Ji Xing-Cytokinetics deal.	Private		2.5
Landos Biopharma	Developer of oral therapies for autoimmune disease. Lead programme for inflammatory bowel disease.	Public (LABP)	Phase II/III	2.4
Tenaya Therapeutics*	Biotech developing therapies that can address the underlying cause of heart disease; lead asset gene therapy for hypertrophic cardiomyopathy.	Public (TNYA)	Preclinical	2.2
Top 10 (% of portfolio)				44.9

Source: RTW. Note: Private companies based on 30 November 2021 valuation. *Subject to lock-up, illiquidity discount.

As at the end of November 2021, around two-thirds of RTWVF’s NAV was invested in core portfolio holdings (41 positions), which are companies that were initially added to the portfolio as private investments. As these are retained beyond their IPOs, the core portfolio consists of both privately held and publicly listed companies. To mitigate cash drag (the effect of holding cash rather than investments with better return potential), around one-third of assets that are not in core holdings are invested in listed companies. These listed companies mirror holdings in RTW’s private funds. As at the end of H121, the top five holdings of non-core portfolio assets represented c 8% of NAV and consisted of: DermTech (ticker DMTK), a medtech company developing precision genomics for cancer diagnosis; Alnylam Pharmaceuticals (ALNY) and Dicerna Pharmaceuticals (DRNA), both are leading RNA medicine companies; Natera (NTRA), a clinical genetic testing company; and Vericel (VCEL), a manufacturer of advanced cell therapies for the sports medicine and severe burn

care markets. RTWVF can also take short positions (selling a stock it does not own in anticipation of being able to buy it back later at a lower price), but these are only undertaken opportunistically.

Up to the end of November 2021, RTWVF had had a post-investment liquidity event for 33 out of 59 private investments (some of which have been sold or taken over). The average gross multiple on capital was 2.5x and the average gross internal rate of return was 487%, with an average holding period of around 12 months. RTWVF endeavours to hold investee companies beyond a liquidity event, if deemed appropriate, to capture additional value from the investments.

At the end of November 2021, RTWVF's top 10 positions made up 44.9% of the fund. A notable change compared with the end of Q221 is that share price weakness in the largest holding Rocket Pharmaceuticals (following the FDA convening a meeting to discuss safety matters related to adeno-associated virus-based gene therapy development) means that its weighting within the fund fell from 24.6% to 15.3% over the period. The split between public and private company exposure was 72:28 respectively.

Rocket Pharmaceuticals is a clinical-stage company advancing an integrated pipeline of genetic therapies for rare childhood disorders. It aims to develop first-in-class and best-in-class curative gene therapies for patients with devastating diseases. Rocket was formed around a single licence from a European academic institution in late 2015, following a year-long study in gene therapy. RTW hired a world-class management team, which continues to identify additional targets and license more academic programmes and holds around one-third of the company. Rocket currently has five clinical programmes, the most advanced of which is in Phase II trials. Its board includes three of RTW's employees, including Roderick Wong as chairman. In recent months, biotech stocks have been weak, particularly select smaller-cap gene therapy stocks due to some temporary programme setbacks; as a result, Rocket has been RTWVF's main performance detractor. For example, the negative newsflow on safety in other gene therapy companies utilising similar approaches has created additional pressure on all gene therapy names, including Rocket. This company also had a pause in its Phase I clinical trial of RP-A501; this was not due to safety concerns, but due to the patient selection protocol; the hold was lifted in August 2021. On 15 November 2021, Rocket announced an [update](#) on this trial for the treatment of Danon disease. Based on the observed safety and efficacy to date, the company will focus on the low-dose cohort and will no longer administer the high dose to study patients; it has initiated treatment in the paediatric cohort at the low dose. While Rocket's share price fell by c 25%, RTW views it as a gene therapy holding company and continues to be very supportive of the firm, working closely with Rocket's team.

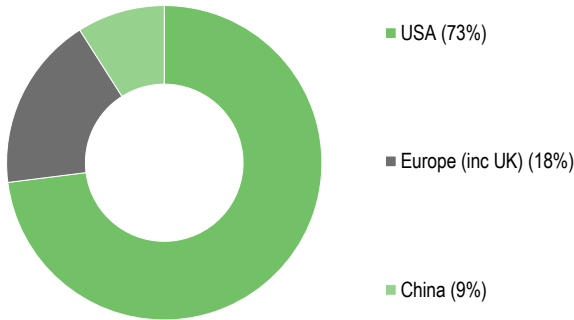
Ji Xing was formed in early 2020, following a two-year study of innovation, biotechnology, and access to healthcare in China. It is a Shanghai-based biotechnology company focused on the development and distribution of innovative US and European drugs in the Chinese market. In Q321, RTWVF participated in a Series C funding round (as it has in all of Ji Xing's prior capital raises). The company currently has four in-licensed assets and is looking to in-license additional late-clinical stage or commercial stage assets.

RTWVF is likely to invest in a greater number of newly formed companies in the future. In May 2021, RTW provided seed capital for Yarrow Biotechnology, which focuses on RNA medicines. The manager expects RTWVF's holding in Yarrow to grow over the next 12 to 18 months as it participates in subsequent funding rounds.

Royalty 1 – in July 2020, Ji Xing and Cytokinetics, a late-stage biopharmaceutical company focused on discovering, developing and commercialising first-in-class muscle activators and next-in-class muscle inhibitors, entered into an exclusive licensing agreement for the development and commercialization of CK-274, a next-generation cardiac myosin inhibitor, in Greater China.

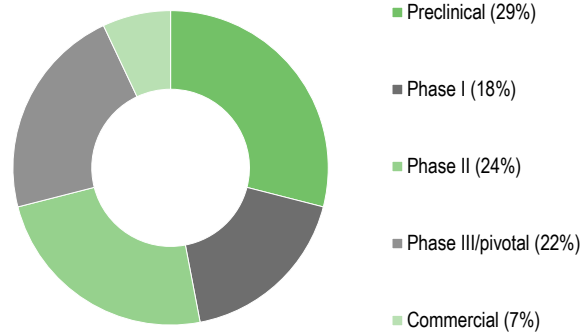
Royalty 2 – in March 2021, RTW and UroGen Pharma entered into a strategic funding agreement to further support UroGen’s ongoing commercial launch of Jelmyto (used to treat adults with low-grade upper tract urothelial cancer) and advance the clinical development of UGN-102, a treatment for bladder cancer.

Exhibit 2: Geographic exposure at 30 June 2021



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

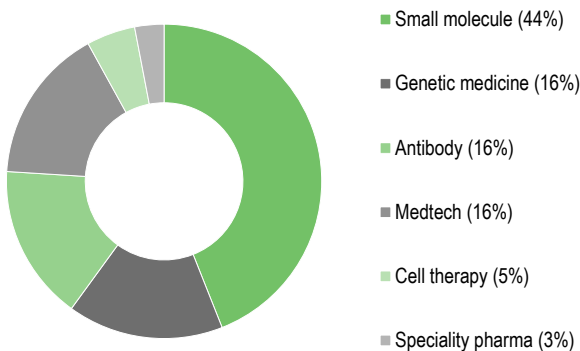
Exhibit 3: Clinical stage exposure at 30 November 2021



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

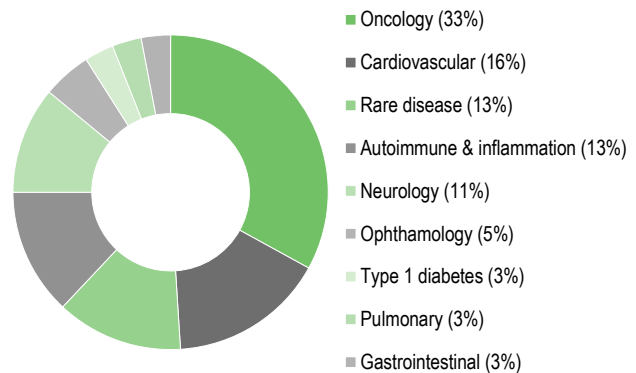
Exhibits 2 to 5 show the breakdown of RTWVF’s portfolio as at the end of H121 (30 June) and end-November 2021. Reflecting its dominance in the global biotech and medtech sectors, the United States makes up around three-quarters of the portfolio; however, the fund is committed to growing its exposures to other regions and has already announced plans to set up offices in the UK and Shanghai to help identify further opportunities in these areas. The Chinese authorities are very supportive of the domestic biotech sector and there has been investment in the country from large pharma companies in the West.

Exhibit 4: Modality exposure at 30 Nov 2021



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

Exhibit 5: Therapeutic focus exposure at 30 Nov 2021



Source: RTW, Edison Investment Research. Note: Numbers subject to rounding.

The manager expects RTWVF’s broad portfolio exposure to remain in a ratio of c 85% biotech and c 15% medtech businesses, reflecting the opportunities available in these two sectors. It anticipates that around two-thirds of investments will be made in mid- to later-stage venture companies, with one-third focused on building companies around the discovery and development or licensing and distribution of promising assets. RTW says that over the next 10 years, RTWVF’s portfolio is likely to have a higher weighting in companies focusing on gene therapies and RNA technologies, both areas that the FDA has marked out as important. There have been new developments in oncology treatments, which made up around a third of RTWVF’s private company investments made in 2021 in areas such as cell therapy, antiviral therapies and targeted protein degradation. The manager says that protein degradation is a neat approach to harnessing cells’ ability to break down faulty proteins. RTW suggests that this approach is not getting as much attention as some other

modalities such as gene editing, although it considers it to be another important modality to add to RTWVF's arsenal.

Performance: Ahead of biotech indices since inception

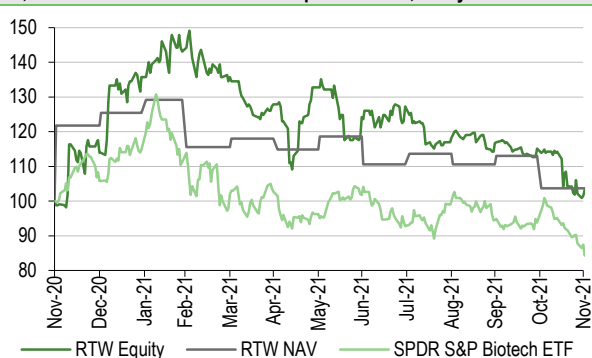
Exhibit 6: Two-year discrete performance data

12 months ending	Share price (%)	NAV (%)	SPDR S&P Biotech ETF (%)	NASDAQ Biotechnology (%)	MSCI World (%)	CBOE UK All Companies (%)
30/11/20	42.9	38.8	42.4	22.0	14.5	(11.2)
30/11/21	1.5	3.7	(12.6)	5.9	21.8	17.1

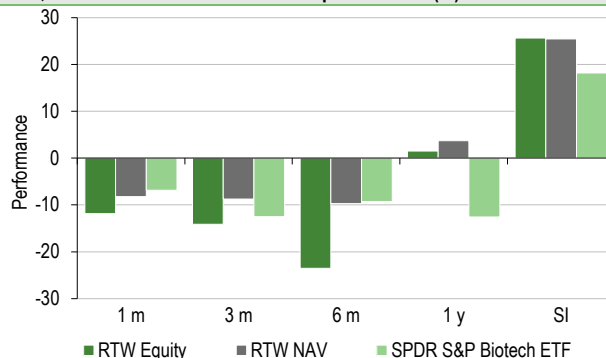
Source: Refinitiv. Note: All % on a total return basis in US dollars.

Exhibit 7: Investment trust performance to 30 November 2021

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Inception date is 30 October 2019. Since inception (SI) figures annualised.

During H121, RTWVF's NAV and share price total returns of -2.7% and +9.0% respectively compared with the NASDAQ Biotechnology index's +8.5% total return and a decline of -4.5% for its small-cap benchmark. The primary detractor from RTWVF's performance was the decline in share price of its largest holding in Rocket Pharmaceuticals, only partially offset by gains from the successful IPOs of Landos Biopharma, Immunocore and Prometheus Biosciences.

Exhibit 8: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	SI
Price relative to SPDR S&P Biotech ETF	(5.4)	(1.9)	(15.7)	16.1	13.6
NAV relative to SPDR S&P Biotech ETF	(1.5)	4.3	(0.5)	18.7	13.3
Price relative to NASDAQ Biotechnology	(8.3)	(4.3)	(24.1)	(4.1)	12.1
NAV relative to NASDAQ Biotechnology	(4.5)	1.7	(10.5)	(2.1)	11.7
Price relative to MSCI World	(9.9)	(13.3)	(27.1)	(16.6)	12.3
NAV relative to MSCI World	(6.2)	(7.9)	(13.9)	(14.8)	12.0
Price relative to CBOE UK All Companies	(9.9)	(12.8)	(24.6)	(13.3)	53.2
NAV relative to CBOE UK All Companies	(6.2)	(7.4)	(11.0)	(11.4)	52.7

Source: Refinitiv, Edison Investment Research. Note: Data to end-November 2021. Geometric calculation in US dollar terms.

In Exhibit 8, we compare RTWVF's total return performance with a selection of indices. It has outperformed the SPDR S&P Biotech ETF (representative of the performance of smaller-cap biotech stocks) and the NASDAQ Biotechnology Index (larger-cap biotech stocks) since the fund's inception, in both NAV and share price terms. RTWVF has also outperformed the SPDR S&P Biotech ETF over the last 12 months in both NAV and share price terms. The fund has performed less well in recent months as Rocket Pharmaceutical's share price has continued to decline. Since inception, RTWVF has outperformed the MSCI World Index and the broad UK stock market (by a considerable margin) in both NAV and share price terms.

Peer group comparison

In Exhibit 9, we highlight the seven peers in the AIC Biotechnology & Healthcare sector along with two Switzerland-listed funds, BB Biotech and HBM Healthcare Investments, to enable a broader comparison. RTWVF is the smallest company in the selected peer group and its NAV total returns rank fourth out of nine over the last 12 months and first over the last two years. Over these two periods, it has generated significantly higher total returns than Syncona, which is its closest comparator in terms of early-stage investment (although around 40% of this company's portfolio is held in cash and treasury bills, in contrast to RTWVF, which uses its non-core listed holdings as a source of funds for new core investments). In common with RTWVF, Syncona and HBM Healthcare also hold their private investee companies beyond their IPOs.

RTWVF currently has the third highest valuation, being one of six funds that are trading at a premium to NAV. It has the highest ongoing charge in the selected peer group and a performance fee is payable. RTWVF has a below-average level of gearing and does not pay a dividend.

Exhibit 9: Selected peer group at 9 January 2021 (all data in \$)*

% unless stated	Market cap \$m	NAV TR 1 year	NAV TR 2 year	NAV TR 3 year	NAV TR 5 year	Discount (cum-fair)	Ongoing charge	Perf fee	Net gearing	Dividend yield
RTW Venture	364.2	3.7	44.0			2.7	2.1	Yes	102	0.0
BB Biotech	4,481.7	2.0	14.7	28.3	47.1	32.6	1.2	No	109	5.0
BB Healthcare	1,429.7	9.4	40.6	51.9		2.5	1.1	No	100	2.8
Biotech Growth Trust	595.5	(20.8)	32.3	58.7	72.4	(2.1)	1.1	No	108	0.0
HBM Healthcare Investments	2,548.5	12.1	27.0	79.0	186.1	(0.5)	1.3	Yes	106	2.9
International Biotechnology Trust	390.9	(7.7)	21.9	39.0	56.3	1.4	1.2	Yes	112	4.2
Polar Capital Global Healthcare	481.5	15.4	29.9	39.7	78.3	(7.4)	0.9	Yes	106	0.7
Syncona	1,959.3	(16.2)	(11.6)	(13.4)	48.4	25.9	1.6	No	100	0.0
Worldwide Healthcare Trust	3,046.8	(1.9)	21.6	39.3	83.3	0.1	0.9	Yes	106	0.7
Simple average (9 funds)	1,699.8	(0.4)	24.5	40.3	81.7	6.1	1.3		105	1.8
RTW rank in peer group	9	4	1			3	9		7	7=

Source: Morningstar, Edison Investment Research. Note: *Performance at 30 November 2021 based on ex-par NAV. TR = total return. TER = total expense ratio. Net gearing is total assets less cash and equivalents as a percentage of net assets.

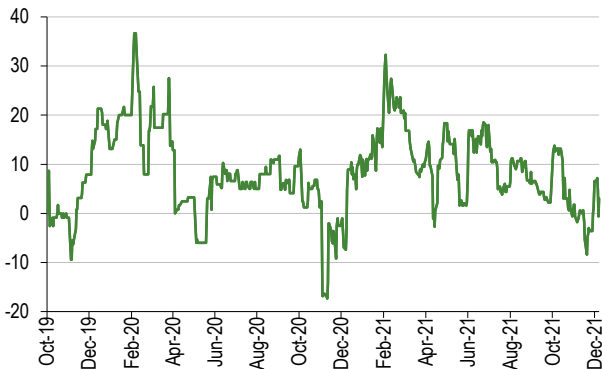
Dividends

As RTWVF invests in early-stage companies, which typically do not generate revenues and invest for future growth rather than returning cash to shareholders, it does not pay dividends. Any proceeds from portfolio company sales or distributions will be reinvested.

Valuation: Regularly trading at a premium

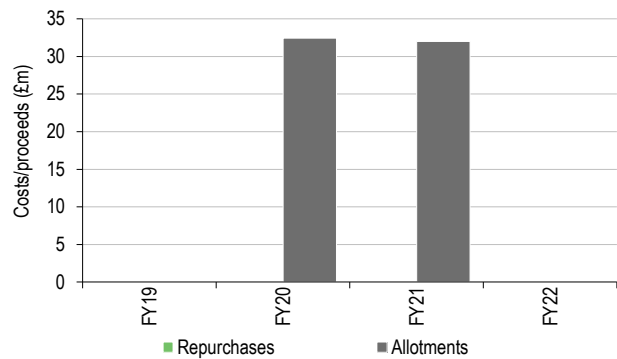
RTWVF's shares are currently trading at a 3.0% premium to cum-income NAV, which compares to a range of a 17.3% discount to a 32.3% premium over the last 12 months (based on monthly NAVs). Over the last year, the company has traded at an average premium of 8.2%, which is broadly in line with the average 8.4% premium since the fund was launched in October 2019. RTWVF has authority to issue new shares up to 20% of the outstanding share base in any rolling 12-month period without filing an updated prospectus, providing they are issued on a non-dilutive basis at a premium to NAV. It also has an annual authority to repurchase up to 15% of shares outstanding in order to manage a discount. In H121, c 16.9m shares were issued (c 9% of the share base) raising gross proceeds of c \$36.4m; this added a modest c 1% to NAV per share.

Exhibit 10: Premium/discount since launch (%)



Source: Refinitiv, Edison Investment Research. Note: Based on monthly NAVs.

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Investment process: Full lifecycle investment approach

RTW describes itself as a company of ‘scientists and entrepreneurs’, aiming to change patients’ lives through medical and scientific innovation. It has a long-term, repeatable approach, seeking transformational innovations by undertaking deep scientific research. This is complemented by experience in capital markets and company building, along with transactional, operational and legal expertise. Having the ability to collect data on early-stage technologies provides RTW with a competitive advantage, and provides opportunities for future investments. There is a four-step investment process:

- **Identify transformational innovations:** comprehensive study of industry and academic efforts in a range of targeted areas of significant innovation including gene therapy, RNA medicines and treatments for disease areas such as degenerative conditions, cardiovascular, oncology and ophthalmology. Medical meetings are a very important part of the process.
- **Deep research and unlocking value:** repeatable internal processes combining technology and human resources to comprehensively cover critical drivers of global innovation, focusing on those assets that are likely to have a high probability of success. This includes an assessment of the anticipated number of clinical trials required before peak value can be achieved.
- **Build new companies around scalable and sustainable business platforms:** following commercial due diligence, partnering with universities and in-licensing academic programmes, by providing capital and infrastructure to entrepreneurs to advance scientific progress. This is helped by RTW’s close relationships with bankers, lawyers and other related parties. Also partnering with companies with more mature assets to further their development and commercialise them in new geographies.
- **Full lifecycle investment:** RTW determines at what point in a company’s lifecycle it should support the target asset or pipeline, whether it be early or later stage. It engages in a broad range of financial solutions including company creation, licensing, royalty and structured finance, venture and crossover investment, along with IPOs and follow-on investment.

There is a monthly committee meeting to review, and update where necessary, the valuation of all private holdings; these are also independently valued by an external assessor at least twice a year. For private investments, the targeted average timeline to IPO is less than three years for company formations and Series A fundings, and less than 18 months for mid- to late-stage funding rounds. At the time of investment, single holdings are limited to 15% of RTWVF’s NAV (was 30% for Rocket Pharmaceuticals), although in practice a single new investment is capped at 5%. The company aims to generate NAV total returns above 20% pa over the medium term.

Research is regularly refreshed to understand how products are developing and to determine their expected probability of success at their next trial readouts. Each asset is assessed in terms of its potential risk-adjusted returns. All private investments are allocated pro rata across RTW's three funds; however, RTWVF has double the weighting compared with each of the two private funds. This is also the ratio employed when positions are reduced or sold.

If considered appropriate, the manager is prepared to support RTWVF's portfolio companies when they have setbacks. Milestone Pharmaceuticals is a public clinical-stage biotech company focused on innovative cardiovascular medicines. RTW first invested in Milestone when it was a private company via participation in an \$80m crossover financing round in October 2018, and also subsequently invested in the May 2019 IPO. The company had a negative Phase III trial outcome in March 2020 and its share price fell by c 90%. Despite this setback, and following further due diligence, RTW remained confident in the potential for Milestone's programme. In July 2020, RTWVF participated in a \$25m private placement to support further development of Milestone's lead late-stage programme, and the manager anticipates a 2022/23 launch for etripamil, which is used for the acute treatment of patients with paroxysmal supraventricular tachycardia (PSVT).

RTWVF's approach to ESG

RTW does not have a formalised approach to environmental, social and governance issues. However, it does have a responsible investor statement. The company's approach to investment in life sciences companies is made up of goals and principles that are aligned specifically with its mission to assist in the development of breakthrough therapies that transform millions of lives, find cures for diseases, and improve people's quality of life. As a guiding principle, RTW prioritises an overall positive impact on patients and long-term meaningful outcomes to society.

Gearing

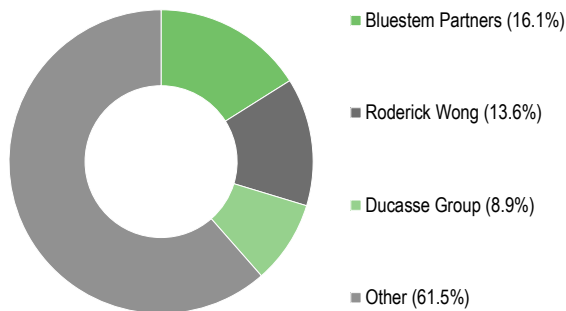
RTWVF may employ gearing up to 50% of NAV at the time of drawdown for investment and working capital purposes. At end-November 2021, net gearing was 2%.

Fees and charges

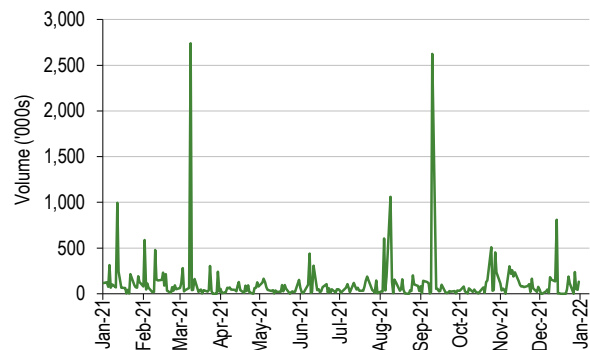
RTW receives a monthly management fee, in advance, as of the beginning of each month in an amount equal to 0.104% (1.25% pa) of RTWVF's NAV. A performance fee is payable based on 20% of the change in NAV (adjusted for share issuance and the weighted number of shares in issue during the reporting period). This fee is subject to an 8% NAV total return compound annual growth rate hurdle from the start of the initial performance allocation period to the current performance allocation period. In FY20, RTWVF's ongoing charges excluding performance fees were 2.1%.

Capital structure

RTWVF currently has 212.4m ordinary shares in issue. Its average daily trading volume over the last 12 months is c 116k shares. As shown in the chart below, RTW's manager, Roderick Wong, is its second-largest shareholder.

Exhibit 12: Major shareholders


Source: RTW. Note: As at 31 October 2021.

Exhibit 13: Average daily volume


Source: Refinitiv. Note 12 months to 9 January 2022.

The board

Exhibit 14: RTWVF's board of directors

Board member	Date of appointment	Remuneration in FY20	Shareholdings at end-H121
William Simpson (chairman)	2 October 2019	£50,000	125,000
Paul le Page	2 October 2019	£40,000	103,000
William Scott	3 October 2019	£35,000	100,000
Stephanie Sirota	2 October 2019	\$42,000	763,004

Source: RTW

William Simpson is an independent director based in Guernsey providing services to investment and other financial services companies. He has over 30 years' experience within the financial services industry. Simpson previously practiced law, during which time he advised on the establishment of a wide range of investment funds and related matters. He graduated in law from Leeds University and qualified as an English barrister. Simpson is a member of the Guernsey Bar and also holds directorships at Ninety One Premier Funds PCC, Handelsbanken Alternatives Fund, AHL Strategies PCC, Man AHL Diversified PCC and Alpha Real Trust.

Paul Le Page is a former executive director and senior portfolio manager of FRM Investment Management (a subsidiary of Man Group) and holds non-executive directorships at London Stock Exchange listed investment funds. He is audit committee chair of UK Mortgages and Bluefield Solar Income Fund and was previously audit committee chair of Thames River Multi Hedge PCC and Cazenove Absolute Equity. Le Page has 17 years' audit committee experience within the closed-end investment fund sector and has a broad-based knowledge of the global investment industry and product structures.

William Scott serves as an independent non-executive director of investment companies and funds. From 2003 to 2004, he worked as senior vice president with FRM Investment Management (a subsidiary of Man Group). Between 1989 and 2002, Scott was a portfolio manager and latterly a director at Rea Brothers, and between 1987 and 1989 was an assistant investment manager with the London Residuary Body Superannuation Scheme. He graduated from the University of Edinburgh in 1982 and is a chartered accountant having qualified with Arthur Young (now Ernst & Young) in 1987. Scott also holds the Securities Institute diploma and is a chartered fellow of the Chartered Institute for Securities & Investment; he is also a chartered wealth manager. His other directorships include Axiom European Financial Debt Fund and Worsley Investors.

Stephanie Sirota is a partner and chief business officer at RTW. She is responsible for strategy and oversight of the firm's business development and strategic partnerships with counterparties including limited partners, banks and academic institutions. Sirota is also responsible for shaping

the firm's governance policies underscoring impact and sustainability. Prior to joining RTW in 2010, from 2006 to 2010, Sirota served as a director at Valhalla Capital Advisors, a macro and commodity investment manager. From 2000 to 2003, she worked in the New York and London offices of Lehman Brothers, where she advised on various mergers and acquisitions, IPOs and capital market financing deals with a focus on cross-border transactions for the firm's global corporate clients. Sirota began her career on the fixed income trading desk at Lehman Brothers, structuring derivatives for municipal issuers from 1997 to 1999. She serves as co-chairman of the council of the Phil at the New York Philharmonic and as president of the RTW Charitable Foundation. Sirota is vice president of corporate strategy and corporate communications of Health Sciences Acquisitions Corporation 2 and served in the same role at Health Sciences Acquisitions Corporation until December 2019.

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