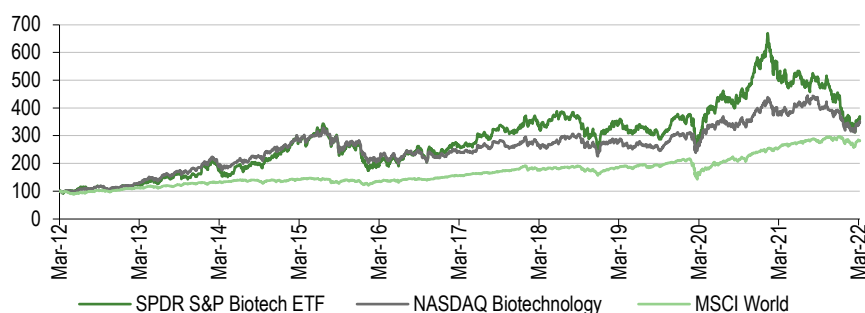


# RTW Venture Fund

Sector drawdown providing exciting opportunities

RTW Venture Fund (RTWVF) is managed by healthcare specialist RTW Investments (RTW). It has a lifecycle approach to investment, from business formations through to listed biotech and medtech companies. The biotech sector has been under significant pressure since February 2021; small-cap names in particular have sold off, which RTW's founding partner Dr Roderick Wong believes is providing 'exciting' opportunities for RTWVF in 2022. Seeking to take advantage of investing across the globe, rather than being US-centric, RTW is in the process of opening up two regional offices: one in London and one in Shanghai. Since the fund's inception in October 2019, it has outperformed both its small- and large-cap biotech index benchmarks.

## Major drawdown in small-cap biotech stocks since early-February 2021



Source: Refinitiv, Edison Investment Research. Note: Indices shown in US dollars.

## The analyst's view

While biotech stocks have been out of favour with investors, industry fundamentals remain positive with increased demand from a growing, ageing global population, high levels of innovation and a supportive regulatory environment. While investing in biotech stocks is not for the faint hearted as the sector can be volatile, over the long term, biotech indices have outpaced the performance of the broader market. RTWVF has an interesting approach, focusing on attractive individual assets rather than on companies and the portfolio is currently broadly split between biotech (c 80% of the fund) and medtech (c 20%) stocks. RTW has already built three businesses: Rocket Pharmaceuticals (listed in February 2015), Ji Xing Pharmaceuticals (private) and Yarrow Biotechnology (private); and provides a range of financing options for investee companies as they mature. At end-FY21 (December) there were 42 core holdings in RTWVF's portfolio making up around two-thirds of the fund. The other third is invested in listed non-core holdings to eliminate the cash drag while RTW identifies additional core holdings.

## Potential for a higher valuation

RTWVF is currently trading at a 7.6% discount to NAV, compared to an average c 10% premium since the fund was launched. There is scope for a higher valuation if there is increased investor appetite for biotech stocks given the fund has outperformed both its small- and large-cap indices since its inception.

Investment companies  
Biotechnology & medtech

12 April 2022

**Price** **\$1.33**

**Market cap** **\$283m**

**AUM** **\$306m**

NAV\* 1.44

Discount to NAV 7.6%

\*As at 28 February 2022.

Yield 0.0%

Ordinary shares in issue 212.4m

Codes RTW (\$), RTWG (£)

ISIN GG00BKTRRM22

Primary exchange LSE

AIC sector Biotechnology & Healthcare

52-week high/low \$2.23 \$1.31

NAV\* high/low \$1.91 \$1.44

\*Including income

Net gearing\* 9%

\*As at 28 February 2022.

## 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

- The 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 13% of the fund invested in Rocket Pharmaceuticals.

## Analysts

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

## Fund profile: A biotech/medtech specialist investor

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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 75 people, of whom around half have advanced scientific or medical degrees and/or industry experience, and has c \$5.5bn 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 the Premium Segment of the Main Market on 6 August 2021, following shareholder approval. The fund also has an additional sterling-denominated quote (ticker: RTWG), although its reporting currency remains US dollars. To satisfy the diversification requirements of the Premium Segment of the London Stock Exchange, the holding in Rocket Pharmaceuticals (ticker: RCKT) 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 December 2021, the number of core companies had grown to 42. 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

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### 31 March 2022 – FY21 results to 31 December

During FY21, RTWVF's NAV and share price total returns of -12.8% and -5.3%, respectively, compared with the NASDAQ Biotechnology Index's +0.6% total return and a 26.9% decline in its small-cap benchmark. At end-FY21 RTWVF had 42 (22 at end-FY20) core portfolio companies, 25 (13) private and 17 (9) public. All core portfolio companies were originally investments in private companies. The number of pipeline products within the portfolio that were in clinical-stage programmes were 44 out of 55 (80%), compared with 25 out of 33 (c 76%) at end-FY20. Nine portfolio companies listed during FY21, with an average 1.9x step-up from the initial time of investment to initial public offering (IPO) and on the first day of trading the average share price uplift was 14.6%.

### 17 February 2022 – additional investment in Magnolia Medical

On 16 February 2022, RTW co-led a \$46m financing round in portfolio company Magnolia Medical. The proceeds are intended to further accelerate commercialisation of the Steripath Initial Specimen Diversion Device platform and fast-track new innovations in sepsis diagnostic accuracy and timelines. Dr Ovid Amadi, a senior analyst at RTW, joined Magnolia Medical's board of directors. The company is a privately held medical-technology company that develops, manufactures and

markets innovative blood and bodily fluid collection devices to facilitate significant improvements in the accuracy, consistency and predictability of critical laboratory tests.

#### **16 February 2022 – new investment in Third Harmonic Bio**

On 16 February 2022, RTW participated in Third Harmonic Bio's \$105m Series B financing round (the company also had a \$50m Series A financing round, which RTW did not participate in). Third Harmonic Bio is a privately held, clinical-stage biotechnology company developing a first-in-class, selective, oral KIT inhibitor for the treatment of severe allergy and inflammation. Proceeds from the financing rounds are expected to fund development of the company's lead candidate, THB001, through the next phase of human studies for the initial indication of chronic urticaria, a dermatologic disease driven by mast cell activation that results in red, itchy, painful welts or hives that develop in response to a specific stimulus or with no known cause. Third Harmonic Bio also plans to pursue development of THB001 in additional diseases of the skin, airway and gastrointestinal tract in which mast cells play a known role in the pathophysiology of the condition.

#### **26 January 2022 – new investment in Kyverna Therapeutics**

On 26 January 2022, RTW participated in Kyverna Therapeutics' \$85m Series B financing round. The company is a privately held cell-therapy firm engineering a new class of therapies for serious autoimmune and inflammatory diseases. Kyverna's lead asset, KYV-101, is an autologous version of a novel clinical-stage anti-CD19 chimeric antigen receptor T-cell construct with properties uniquely suited for use in B cell-driven autoimmune diseases such as lupus nephritis, systemic sclerosis and inflammatory myopathies. Proceeds from the Series B financing round will be used to advance KYV-101 into clinical development for autoimmune diseases in H122. Dr Chris Liu, a senior analyst at RTW, will participate in Kyverna's board meetings in a non-voting observational capacity.

#### **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.

## **The manager: RTW Investments**

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### **The manager's view: Exciting opportunities envisaged for 2022**

RTW's chief business officer, Stephanie Sirota, highlights the four pillars to RTW's investment philosophy: global reach (new offices in London and Shanghai); full lifecycle (a long-term investor aiming to maximise value creation); science-led (around 50% of the workforce have scientific degrees); and business builder (builds relationships across the biotech ecosystem and is a robust and creative capital provider). RTW is a selective private investor, and its pedigree as a crossover participant (the last round of financing prior to an IPO) provides the company with good access to opportunities. Its lifecycle approach means RTW can identify the best ideas at the best value, which can help during tough times in the biotech sector.

The manager says that RTW's company creation process has become more robust in recent years; it seeks untapped potential, building businesses that can be scaled. Rocket Pharmaceuticals was RTW's first company formation. The gene-therapy sector suffered in 2021, with share prices of these companies declining by more than 50%; nevertheless, Rocket remains a high-conviction investment. Ji Xing Pharmaceuticals is RTW's second start-up business and has faced headwinds

in China due to regulatory changes. It is a platform company, like Rocket, designed to be a scalable business bringing western assets to the Chinese market. Sirota says that there are exciting things in store in terms of Ji Xing licensing and developing its own therapies. The company has an ambition to be a global player in cardiovascular and ophthalmic therapies; cardiovascular is RTW's preferred focus in China as there is an untapped market in the country. Yarrow Biotechnology is RTW's third start-up business; it is a New York-based technology-driven company. According to Sirota, Yarrow's antisense oligonucleotide (ASO) technology has a long runway for growth. The business is led by Mark Keating, who was previously employed at Alnylam Pharmaceuticals (Ticker: ALNY c \$20bn market cap).

Sirota explains that RTW provides a viable capital solution to entrepreneurs. It aims to be a long-term trusted business partner to enable biotech companies to reach their full potential. RTW has evolved from science, research and asset selection to in-house biotech expertise for company creation, plus late-stage private and public investment. Sirota says that while RTW has a handful of peers, the company's unique lifecycle investment approach means that it is often the preferred business partner due to its broad approach.

RTW's founder and managing partner Roderick Wong explains that 2021 was a historically bad period for the performance of small-cap biotech stocks, and this has spilled over into 2022. The current drawdown, which started in February 2021 (-60% to end-March 2022), is the second largest in magnitude and duration to the bursting of the genomic bubble in March 2000 to March 2003; and worse than during the 2007-08 global financial crisis. Last year, the 54% underperformance of small-cap biotech stocks versus the S&P 500 Index was the largest in history. The manager highlights a series of issues that have contributed to the drawdown: a reversal of COVID-19 related capital inflows; delays at the US Food and Drug Administration (FDA) due to COVID-19 and the lack of a permanent commissioner; concerns about US drug pricing; some high-profile drug trial failures; too many biotech companies coming to the market too early in their lifecycles; a slowdown in mergers and acquisitions (M&A); inflation and rising interest rates; and the Russian invasion of Ukraine. Wong suggests that the selloff has led to 'a fair amount of opportunities' as a lot of bad news is priced in. Looking at valuations, the manager notes that the NASDAQ Biotechnology Index is trading on c 5.0x sales versus the c 6.0x long-term average. He comments that in January 2022, there was the historically largest number (286) of small-cap (less than \$10bn market cap) biotech stocks that were trading at less than 2x the cash on their balance sheets; these represent 46% of the total and the highest percentage ever. Wong says that it is hard to sift through so many businesses that are trading on low valuations, hence RTW's investment in its teams to scale up the business. He suggests that the company's competitors are at a relative disadvantage given their smaller-sized teams.

The manager is optimistic about an increase in M&A activity, which should be supportive for the performance of biotech stocks, noting that just under \$100m in the US was undertaken in 2021, which is the second lowest in eight years. He says that companies need to digest the changes at the FDA, but there are healthy valuations available in a liquid capital market and major pharma companies are facing a wave of patent expirations starting in 2026. Wong expects that in coming years Bristol-Myers Squibb and Merck & Co will lose 50% of their current revenue bases, so will need to rebuild their pipelines. He suggests that Pfizer will have a \$50bn war chest, which is the largest in history, due its development of COVID-19 vaccines and therapies, and the manager points out that the company has stated its strong desire to get deals done.

While there were concerns about the FDA in 2021, the newly appointed commissioner, Robert Califf, is considered to be industry friendly, and approvals for new molecular entities remain near an all-time high. Wong expects that the high level of approvals will continue for the next decade or so driven by the dramatic reduction in costs for genetic sequencing (from \$1bn in 2003 to sub-\$1,000 today). In 2021, there were 50 FDA approvals of new molecular entities compared with 53 in 2020; and so far in 2022 there have been 10 approvals. The manager says that new drug modalities are

being introduced, addressing more targets, leading to more drugs being developed at a faster pace with a higher probability of success and with higher levels of efficacy and safety. He highlights that RTW has a broad range of focus areas in 2022: targeted oncology; immunology; protein degraders; antibody-drug conjugates (ADCs); central nervous system; cardiovascular; and gene and ribonucleic acid (RNA) therapies. Wong believes that these are 'exciting times' with many opportunities in both private and public companies. There is the flexibility to add names to RTWVF's portfolio at any time in their lifecycle to try and achieve the most favourable risk versus reward outcomes for the fund.

The manager highlights Rocket as RTWVF's most important exposure to gene therapy. There was a clinical hold in its Danon program in 2021 but this was subsequently lifted. Adding more colour on the performance of gene-therapy stocks, Wong notes that only three out of 30 US publicly listed gene-therapy companies had positive share price moves in 2021. There were no product approvals or takeovers last year and there have been some trial safety issues. However, he says that gene therapy companies are learning to deal with these, as have businesses focusing on other modalities, and are continuing to develop products to address unmet medical needs. Rocket is the third-largest US gene therapy company by market cap and Wong believes that the firm has made 'good decisions regarding its drug candidates'. He expects two further trial updates by year end, which the manager suggests are significant milestones. Wong says that he 'would bet on the Rocket team to deliver' and the company is sufficiently funded to 2024.

For RTWVF's portfolio as a whole, the manager is anticipating an exciting mix of clinical events for portfolio companies in 2022. Overall, he estimates the highest-ever average probability of success and asymmetry of risk and reward; Wong adds that 'these are the moments in the market that we live for'.

## Current portfolio positioning

**Exhibit 1: Top 10 holdings (as at 28 February 2022)**

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	12.9
Ji Xing Pharmaceuticals	NewCo focused on acquiring rights from innovative therapies in the West for development and commercialisation in China.	Private	Phase III	8.6
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	7.3
RTW Royalty #2	Royalty as a part of RTW-Urogen deal.	Private		4.0
Avidity Biosciences	Antibody conjugated RNA medicines company. Lead programme for myotonic dystrophy, a degenerative disease with no therapy.	Public (RNA)	Phase I	3.6
RTW Royalty #1	Royalty as part of RTW-Ji Xing-Cytokinetics deal.	Private		3.4
Immunocore	T-cell receptor therapy company focused on oncology and infectious disease. Lead programme for uveal melanoma.	Public (IMCR)	Commercial	2.2
C4 Therapeutics	Targeted protein degradation company working on blood cancers.	Public (CCCC)	Phase I	2.1
Beta Bionics	Closed-loop pancreatic system for automated and autonomous delivery of insulin.	Private	Pivotal	1.7
Tenaya Therapeutics*	Biotech developing therapies that can address the underlying cause of heart disease; lead asset gene therapy for hypertrophic cardiomyopathy.	Public (TNYA)	Preclinical	1.6
<b>Top 10 (% of portfolio)</b>				<b>47.4</b>

Source: RTW. Note: Private companies based on 28 February 2022 valuation. \*Subject to lock-up, illiquidity discount.

As at the end of February 2022, around two-thirds of RTWVF's NAV was invested in core portfolio holdings (42 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 FY21, the top five holdings of non-core portfolio assets represented c 7% of NAV.

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 December 2021, RTW had had a post-investment liquidity event for 33 out of 61 private investments (some of which have been sold or taken over). The average gross multiple on capital was c 2.6x and the average gross internal rate of return was c 490%, 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.

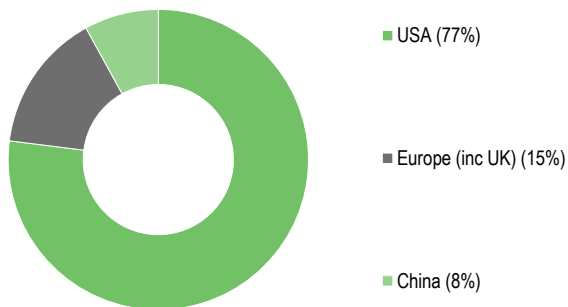
At the end of February 2022, RTWVF's top 10 positions made up 47.4% of the fund. The split between public and private company exposure was two-thirds to one-third respectively. The largest holding is Rocket Pharmaceuticals, a clinical-stage company advancing an integrated pipeline of genetic therapies for rare childhood disorders. The firm 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. Number two holding Ji Xing Pharmaceuticals 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. The firm currently has five 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, its third company formation, which focuses on RNA medicines for the treatment of severe, genetically defined central nervous system diseases.

UK-headquartered Immunocore is a top 10 holding and has received approval for KIMMTRAK, which is used to treat adults with uveal melanoma that cannot be removed by surgery or has spread. Wong is bullish on the launch of KIMMTRAK as it addresses a significant unmet medical need. Immunocore has a Phase I/II trial for an immune-mobilising T cell receptor for treatment of cancers that are positive for the tumour-associated preferentially expressed antigen in melanoma (PRAME). This is the first in-human trial, with proof-of-concept results due in autumn 2022. The manager suggests that this could be the next big leg to the firm's story and the company has the potential to be a global leader.

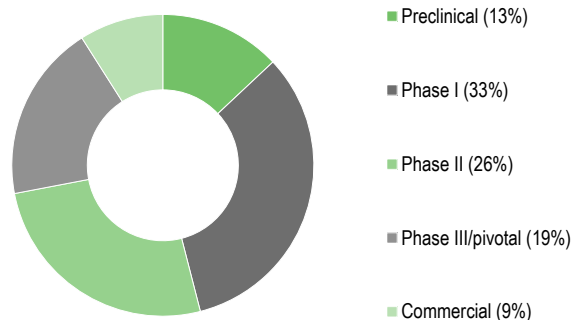
Within RTWVF's top 10 holdings are two royalties (more information on these investments are expected later in 2022):

- 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 commercialisation 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.

Exhibits 2 to 5 show the breakdown of RTWVF's portfolio as at the end of FY21 (31 December) and end-February 2022. Reflecting its dominance in the global biotech and medtech sectors, the United States makes up more than three-quarters of the portfolio; however, the fund is committed to growing its exposures to other regions as evidenced by RTW's new offices in London and Shanghai to help identify further opportunities in Europe (including the UK) and Asia. Compared with the end-November data used in our January 2022 [initiation report](#), RTWVF has a 16pp lower weighting in preclinical and a 15pp higher weighting in Phase I assets. In terms of modality, the fund has an 11pp lower exposure to small molecule and a new 8% exposure to targeted protein degradation. Within RTWVF's therapeutic focus, there is a 9pp higher weighting in autoimmune and inflammation and 6pp lower weightings in both oncology and neurology, along with a new classification (3% in orthodontic).

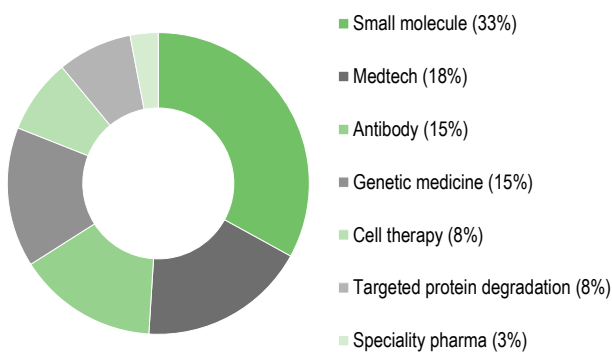
**Exhibit 2: Geographic exposure at 31 December 2021**


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

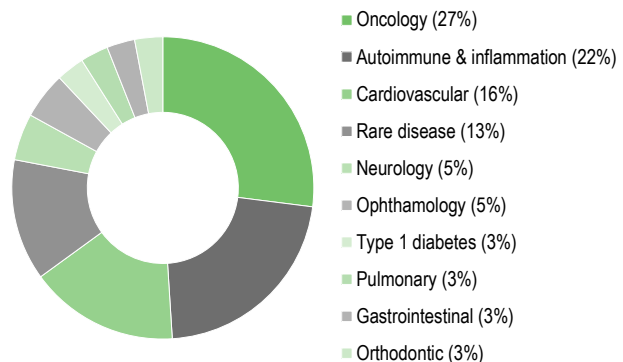
**Exhibit 3: Clinical stage exposure at 28 February 2022**


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 80% biotech and c 20% 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.

**Exhibit 4: Modality exposure at 28 February 2022**


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

**Exhibit 5: Therapeutic focus exposure at 28 Feb 2022**


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

## Performance: Since launch, ahead of biotech indices

**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 (%)
28/02/21	64.5	73.3	66.3	38.6	29.3	2.8
28/02/22	(36.4)	(30.8)	(39.3)	(18.5)	10.7	16.7

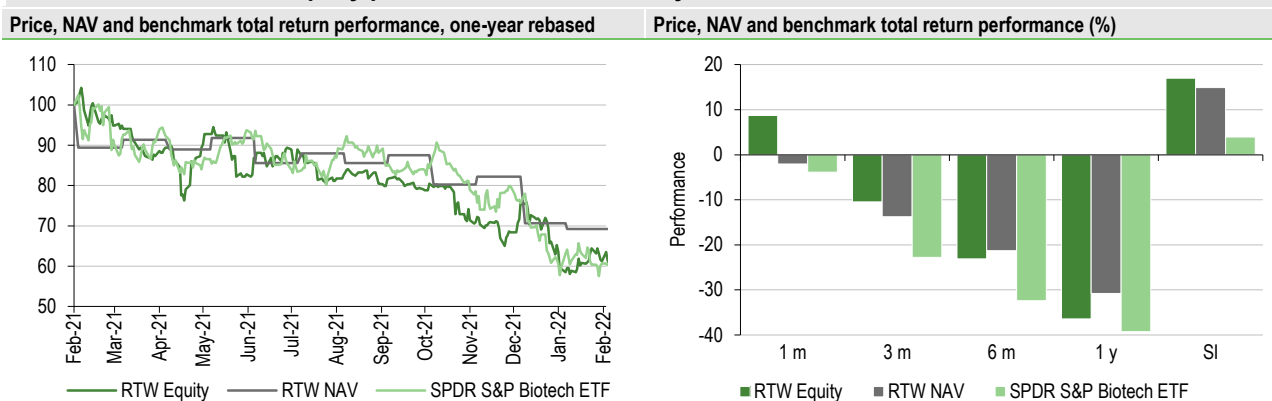
Source: Refinitiv. Note: All % on a total return basis in US dollars.

During FY21, RTWVF's NAV and share price total returns of -12.8% and -5.3%, respectively, compared with the NASDAQ Biotechnology Index's +0.6% total return and a significant 26.9% decline in its small-cap benchmark.

The primary detractor from RTWVF's performance was the 60% decline in the share price of its largest holding, Rocket Pharmaceuticals, which fell heavily in line with other gene therapy stocks due to investor concerns about clinical trial delays. This was only partially offset by better performances from some of the fund's private companies, particularly Ji Xing Pharmaceuticals, the

IPOs of Landos Biopharma, Immunocore, Prometheus Biosciences, GH Research, Monte Rosa Therapeutics, Tenaya Therapeutics, Ventyx Biosciences and the takeover of Inivata.

### Exhibit 7: Investment company performance to 28 February 2022



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

RTWVF's relative total returns are shown in Exhibit 8. It is ahead of the SPDR S&P Biotech ETF (representative of the performance of smaller-cap biotech stocks) in NAV and share price terms over all periods shown. It has also outperformed the NASDAQ Biotechnology Index (larger-cap biotech stocks) since the fund's inception, although its large weighting in smaller-cap biotech stocks has meant that it has not kept pace with larger-cap biotech stocks over the last 12 months. Since inception, RTWVF has modestly outperformed the MSCI World Index, but is considerably ahead of the broad UK stock market in both NAV and share price terms.

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

	One month	Three months	Six months	One year	Since inception
Price relative to SPDR S&P Biotech ETF	13.1	15.9	13.8	4.7	31.7
NAV relative to SPDR S&P Biotech ETF	1.9	11.6	16.4	14.0	26.4
Price relative to NASDAQ Biotechnology	13.2	7.1	2.5	(22.1)	20.1
NAV relative to NASDAQ Biotechnology	2.0	3.1	4.9	(15.1)	15.2
Price relative to MSCI World	11.5	(7.0)	(19.3)	(42.6)	4.5
NAV relative to MSCI World	0.5	(10.4)	(17.5)	(37.5)	0.3
Price relative to CBOE UK All Companies	8.8	(14.2)	(25.2)	(45.6)	31.3
NAV relative to CBOE UK All Companies	(2.0)	(17.4)	(23.5)	(40.7)	26.0

Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2022. Geometric calculation in US dollar terms.

## Peer group comparison

RTWVF is a member of the AIC Biotechnology & Healthcare sector. In Exhibit 9, we also include 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, unsurprising given its large weighting in small-cap biotech stocks, its 12-month NAV total return is the second lowest. It ranks third over the last two years, and over this period its total return is considerably higher than that of its closest peer Syncona. However, while both companies are early-stage investors, around 40% of Syncona's portfolio is held in cash and treasury bills, while RTWVF uses its non-core listed holdings to fund new core investments. In common with RTWVF, Syncona and HBM Healthcare also hold their private investee companies beyond their IPOs. RTWVF currently has a wider-than-average discount in a group where only one fund is trading at a premium. It has the highest ongoing charge in the selected peer group and a performance fee is payable. RTWVF currently has the highest level of gearing and does not pay a dividend.



**Exhibit 9: Selected peer group at 11 April 2022\* (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	283.0	(30.8)	20.0			(7.6)	1.8	Yes	109	0.0
BB Biotech	3,868.5	(25.0)	10.7	(2.1)	15.3	23.2	1.5	No	103	5.9
BB Healthcare	1,410.9	(3.4)	47.3	42.9	98.9	(2.5)	1.1	No	107	3.3
Biotech Growth Trust	484.1	(41.4)	(1.9)	22.2	24.5	(7.6)	1.1	No	108	0.0
HBM Healthcare Investments	2,055.3	0.7	9.6	61.1	142.3	(12.7)	1.3	Yes	100	3.5
International Biotechnology Trust	361.5	(16.4)	15.3	18.0	30.4	(4.8)	1.2	Yes	104	4.4
Polar Capital Global Healthcare	481.6	13.6	39.4	43.3	66.7	(11.1)	0.9	Yes	106	0.7
Syncona	1,457.3	(6.0)	5.2	4.5	70.3	(15.9)	1.6	No	100	0.0
Worldwide Healthcare Trust	2,862.8	(12.5)	17.1	29.7	56.3	(6.0)	0.9	Yes	105	0.7
<b>Simple average (9 funds)</b>	<b>1,473.9</b>	<b>(14.0)</b>	<b>22.8</b>	<b>32.1</b>	<b>65.2</b>	<b>(5.0)</b>	<b>1.3</b>		<b>105</b>	<b>2.1</b>
<b>RTW rank in peer group</b>	<b>9</b>	<b>8</b>	<b>3</b>			<b>6</b>	<b>9</b>		<b>1</b>	<b>7=</b>

Source: Morningstar, Edison Investment Research. Note: \*Performance at 28 February 2022. based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

## Dividends

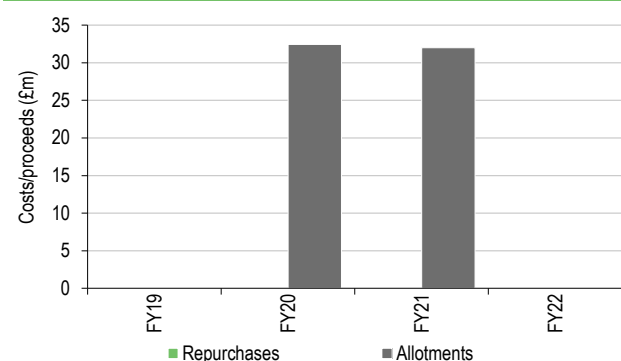
RTWVF invests in early-stage companies, which typically do not generate revenues and invest for future growth rather than returning cash to shareholders, hence it does not pay dividends. Any proceeds from portfolio company sales or distributions are reinvested.

## Discount: Scope for a higher valuation

RTWVF's shares are currently trading at a 7.6% discount to cum-income NAV, which compares to a range of a 10.5% discount to a 21.8% premium over the last 12 months (based on monthly NAVs). There is scope for a higher valuation if there is an improvement, off very depressed levels, in investor sentiment towards biotech stocks. Over the last year, the company has traded at an average premium of 6.0%, which is below the average c 10% premium since the fund was launched in October 2019. RTWVF has the 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 FY21, c 20.9m shares were issued (c 10.9% of the share base) raising net proceeds of c \$44.1m, which added 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.

### 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 in combination with 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-February 2022, net gearing was 9%.

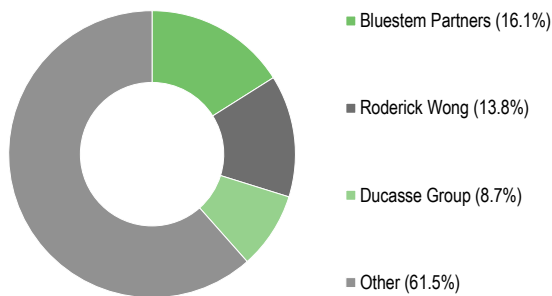
## Fees and charges

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 FY21, RTWVF's ongoing charges excluding performance fees were 1.78%, which was 32bp lower than 2.10% in FY20 (no performance fee was payable).

## Capital structure

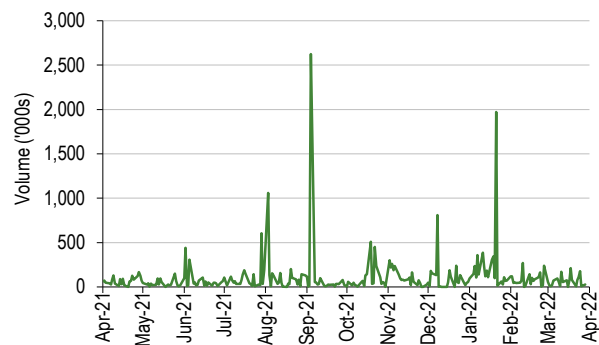
RTWVF currently has 212.4m ordinary shares in issue. Its average daily trading volume over the last 12 months is c 110k shares. As shown in the chart below, RTW's manager, Roderick Wong, is its second-largest shareholder.

**Exhibit 12: Major shareholders**



Source: RTW. Note: As at 29 March 2022.

**Exhibit 13: Average daily volume**



Source: Refinitiv. Note: 12 months to 5 April 2022.

## The board

**Exhibit 14: RTWVF's board of directors**

Board member	Date of appointment	Remuneration in FY21	Shareholdings at end-FY21
William Simpson (chairman)	2 October 2019	\$68,941	150,000
Paul le Page	2 October 2019	\$55,153	103,000
William Scott	3 October 2019	\$48,259	150,000
Stephanie Sirota	2 October 2019	\$42,000	1,000,000

Source: RTW

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