Review

Edison investment research

18 September 2007

MDY Healthcare

Balance sheet date	Portfolio value (£m)	Cash (£m)	NAV (£m)	NAV per share* (p)	Discount to NAV (%)
30/09/06	1.3	17.2	18.5	120	35.0
31/03/07	6.3	9.4	15.3	113	31.0
30/09/07e	10.5	6.0	16.5	113	31.0

Note: Prior results are not meaningful, given change in strategy; *based on no. of shares in issue at balance sheet date, adjusted for share consolidation.

Investment summary: New investment strategy

MDY has added a new element to its investment strategy with the formation of its first corporate venture, involving the UK natural healthcare products company William Ransom. The venture will be a significant undertaking for MDY but has an attractive risk-reward profile. Furthermore, as the return on this venture is not correlated with stockmarket performance, it should complement MDY's equity investment strategy in the healthcare sector.

Corporate venture with William Ransom

MDY is to provide funding for a joint venture to develop a direct-to-consumer presence for Ransom. It will fund the venture through loan stock and will hold an 80% equity interest in the company. Once it is up and running profitably, Ransom has the option to acquire MDY's interest, based on a multiple of sales, for cash and/or equity.

New investment in Lombard, Cozart goes to trade sale

MDY has acquired a new strategic shareholding in Lombard Medical, a UK based medical devices company developing a stent graft for the treatment of aortic aneurism. Meanwhile, Cozart, a first strategic investment, has agreed to a recommended cash offer from Concateno, producing a significant gain for MDY.

Strategic investments grow to six

As a result of these changes, MDY will have six strategic investments going forward: AOI Medical, Minster Pharmaceuticals, Lombard Medical, Allergy Therapeutics, Medivance and, via its interest in the joint venture, William Ransom.

Valuation: Discount to portfolio value

In recent months, MDY's shares have traded at an unusual and significant discount to its NAV. Our estimate of the current NAV is approximately £16.5m, suggesting the share price is trading at more than a 30% discount.

Price	79p
Market Cap	£12m

Share price graph

Share details

Code	MDY
Listing	AIM
Sector	Speciality Finance
Shares in issue	14.6m*

* post share consolidation

Price

	High	Low
52 week	152.5p	63.5p

Balance Sheet

Debt/Equity (%)	N/A
NAV per share (p)**	113
Net cash (£m)**	9.4

** as at 31 Mar 07

Business

MDY Healthcare is focused on investment in healthcare companies. It aims to acquire strategic stakes in companies at any stage, hold them over a relatively long period and achieve value growth and ultimately attractive exits.

Valuation

	2006	2007e	2008e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
100%	0%	0%	0%

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Company description: Biotech/med-tech investor

MDY is a UK-listed investment company focused on making investments in the healthcare space (med-tech, diagnostics, bio and speciality pharmaceuticals and healthcare products and services) on a global basis. It invests in both public and private companies and at any funding stage, although it has a particular bias towards later-stage medical technology companies (particularly with near-term revenues). In addition to equity investment, it has established a corporate venture, a majority-owned vehicle, to establish a direct-to-consumer presence for the UK healthcare company, William Ransom.

MDY's principals and advisors have significant operational and investment experience in the sector and, as a result, have well-established networks that give them access to investing opportunities in the quoted and non-quoted sectors. The company screens a wide range of different investment opportunities and operates a disciplined investment process designed to triage opportunities, and subject those that are initially successful to a formal and rigorous due diligence process.

In terms of equity investments, MDY is pursuing a long-only strategy and does not use derivative instruments to either hedge a particular exposure or pursue any other investment strategy. MDY has made six strategic investments to date (one of which is in the process of being acquired) and holds smaller, non-strategic holdings in around 16 companies (all UK-listed healthcare businesses), which provide general exposure to stock performance in this sector. The company's investment portfolio (unaudited), as of mid-September, is shown in Exhibit 1. These companies are profiled on pages five to ten.

Exhibit 1: MDY's investment portfolio

Notes: As of 14 September 2007; * approximate; ** subject to 57.5p per share recommended cash offer.

Company	Type of instrument	No of shares ('000)	% of equity	Total invested (£'000)	Share price (p)	Current value (£'000)
Cozart**	ordinary shares	2,285	2.09%	675	56p	1,279
Minster Pharma	ordinary shares	1,130	1.24%	472.	48.5	548
Minster Pharma	warrants	181			N/A	
Allergy Therapeutics	ordinary shares	600	0.61%	540	61.25	368
AOI Medical	ordinary shares	725.6	8.60%	1,769	330	2,394
Medivance	N/A	N/A	N/A	2,500	N/A	2,786
Lombard Medical	ordinary shares	2,450	3.07%	460*	22	539
Total strategic				6,416		7,914
Non strategic	ordinary shares	N/A	N/A	3,150*	N/A	2,900*
Total investments				9,541		10.614*

Source: MDY Healthcare/Edison Investment Research

Investment outlook

Ransom joint venture

MDY and William Ransom are to establish a multi-channel direct-to-consumer joint venture to sell natural healthcare products via the internet, mail order and telesales. MDY will provide up to £3m in loan capital to finance the joint venture as well as management support and project management. MDY will own a majority stake (c.80%) in the venture and will consolidate its results with its own accounts.

Ransom has an option to acquire MDY's stake in the company in accordance with a pre-agreed timetable and valuation process. The buy-out trigger is likely to be the company reaching sustainable profitability. This consideration will be payable in cash or a mixture of cash and Ransom shares, at MDY's option.

MDY believes the risk/reward profile of this corporate venture investment is attractive. In addition, in our view, it complements MDY's equity investment strategy as the return will be dependent on the operational achievements of the company rather than the performance of the stockmarket.

MDY will provide funding through loan stock, which will carry a coupon and is repayable, once the company is profitable. However, its return will be realised by a buyout, likely to be in two or three year's time. From Ransom's point of view, the venture allows it to avoid the short-term risks associated with setting up an online presence and avoid having the costs of doing so depress its earnings. These twin benefits outweigh the premium it may have to pay to acquire the venture (perhaps £3–6m), in comparison with funding it itself.

The new venture will sell primarily products sourced and/or manufactured by Ransom, which will also provide the fulfilment from its existing distribution centre in Bradford, UK. Ransom is the UK market-leading supplier of glucosamine supplements and one of the leading suppliers of retailed aloe vera products in Europe. Its products are sold by high street chains such as Boots, Tesco and Holland & Barrett amongst others. Moreover, in the UK, only a relatively small proportion of OTC healthcare product sales are made over the internet and there is not yet a clear market leader. Ransom and MDY believe a number of trends (including greater use of the internet by women and older people generally) present an opportunity to establish a potentially leading presence in the UK. It also expects the UK to exhibit the same trends as in the US, where significant growth in the direct sales is anticipated.

New equity investment, exit for Cozart

MDY has acquired a new strategic shareholding in Lombard Medical, a UK medical technology company, which was partly made at substantial discount to the market price. Meanwhile, Cozart, MDY's first strategic investment in a public company, agreed to a cash offer from Concateno, producing a significant (87%) gain for MDY. The exit shows it is possible to generate attractive returns from investment in publicly-quoted healthcare/medical technology companies from taking a disciplined fund manager-like approach.

Sensitivities

MDY's investment proposition has a number of sensitivities including the following:

- A highly concentrated portfolio — MDY has a focused portfolio with six major investments, which means that an unexpected positive development or setback for any one company is likely to have a material impact on the overall portfolio value.
- Sector-focused portfolio — MDY intends to invest only in healthcare companies and therefore is exposed to the overall performance of this sector, relative to the stockmarket in general. However, its recent corporate venture with William Ransom (and possible further new ventures) reduces the overall exposure to the performance of healthcare stocks.
- Fluctuating portfolio valuations — the overall value of the investment portfolio at balance sheet dates will fluctuate with the valuations of investee companies, based on the share prices where publicly quoted and on the terms of fundraisings for private companies. The net effect of the gains and losses is also recognised in the P&L account and, as it is determined at a particular date in the future, makes the forecasting of P&L results inherently uncertain.
- Forex movements affect NAV per share — a significant proportion of MDY's cash and assets are denominated in US dollars, so sterling-denominated NAV per share is affected by changes in the USD/GBP exchange rate.

Financials

MDY operates as an investment company, which requires that fluctuations in the value of its holdings are recognised in the balance sheet and on the P&L at reporting dates. Results for the six months ended 31 March 2007 show investments of £6.3m and a cash balance of £9.4m.

The five strategic investments it held as of the end of April (at the time of our last note) were valued at just under £3.9m and these same holdings were valued at just under £5.6m as of 14 September, reflecting share price gains made with Cozart and AOI, which were to some extent reduced by losses on Minster and Allergy Therapeutics. The overall value of MDY's strategic investments (including Lombard Medical) was just over £7.9m and £10.6m including the trading (or non-strategic) portfolio. We estimate net cash is around £6m currently, suggesting a NAV of £16.5m.

Excluding the Ransom e-commerce joint venture, we estimate corporate running costs at c.£1m per year.

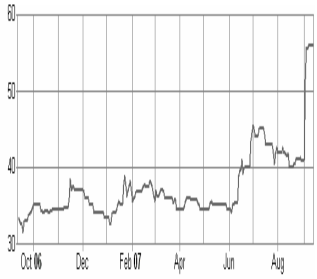
The following pages profile MDY's investee companies.

Cozart

LSE: CZT

Cozart is a UK medical diagnostics company that develops, manufactures and markets immunodiagnostic tests principally for the detection of drugs of abuse. The company is subject of a recommended £64.4m cash offer from Concateno.

Cozart has operations in the UK, Spain, Sweden and Italy, which are the result of acquiring companies over the past few years. It aims to establish a leading position in the UK before expanding its presence, first in the rest of Europe and then in the US.



Market

Cozart is targeting an immunoassay segment of the global diagnostics market and claims that this is worth around $7bn per year.

MDY acquired 1.2m Cozart shares at 28p each in a vendor placing to finance the acquisition of the Swedish drug testing company HL Scandinavia; it supported a subsequent fundraising and bought in the market.

Financial snapshot

Market cap: £62m

Founded: 1993

No of employees: 117

Revenues: £11.1m (Y/E May 2006)

EPS: 0.21p (Y/E May 2006)

Cash: £5.9m (pro forma)

Marketed products/R&D programme

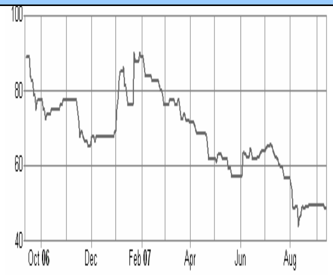
Cozart's business can be split into three parts:

1) Devices for 'point of contact' testing: The most advanced product here is DDS, a drug of abuse testing device for use in situations where speed is essential, which can test a saliva sample for up to five drug classes at once. An earlier device, the Rapiscan, the first fully integrated, on-site, saliva-based drugs diagnostic system, is the subject of a UK Home Office drugs intervention programme and a contract with the Scottish Executive. The division also sells solid tests for powders (Rapid Solids) and 'point-of-contact' urine drug tests (Rapid Urine).

2) Drug testing laboratory: A service business screening and confirming the presence of a range of drugs of abuse in a variety of samples, including saliva, hair, blood and urine. Forensic analysts provide full testimony and advice for court proceedings. This has also recently been awarded a UK Home Office contract.

3) Sale of test kits for laboratory use: These include kits for drug detection in a variety of sample types, including ELISA and automated homogeneous enzyme immunoassay (EIA), and analytical instruments.

Cozart is developing a new-generation saliva testing device capable of detecting up to eight drug types in under a minute. The project is part of an 18-month joint venture with Philips signed in January 2006. Cozart has just signed a commercialisation agreement with Philips, which separately made a £1.9m investment. This collaboration is set to become a key driver of the Cozart business in the future. The two companies aim to launch the new drugs of abuse testing system by mid-2009, with Philips having primary responsibility for the manufacture of the new product with Cozart responsible for sales and marketing.

Minster Pharmaceuticals	LSE: MPM
Minster Pharmaceuticals holds the rights to two developmental CNS products, which were licensed from SmithKline Beecham prior to its merger with Glaxo Wellcome in 2000. The company is well funded following a Care Capital-led private placement in February that raised £17m in stock and warrants, which gives it sufficient funds to complete a single 'potentially pivotal' Phase IIb study of tonabersat. Minster has a number of collaborations to further the development of both compounds, most recently with Dr Michael Rogawski's group at the National Institute of Neurological Diseases and Stroke, part of the US National Institutes of Health, to investigate the mechanism by which tonabersat inhibits abnormal brain function.	
R&D programmes	**Financial snapshot**
1) Tonabersat — Entering Phase IIb studies for the prophylactic treatment of migraine. A recently completed Phase IIa trial in 124 patients achieved statistically significant results in a number of key endpoints and favourable trends in many others (see previous Edison notes). A separate Phase II trial in 34 patients with prevention of migraine in patients who experience aura is underway and due to render results in Q2 08. Minster expects to begin recruitment for a 500-patient Phase IIb study in H2 2007, which it hopes will later be deemed pivotal and become the basis of an NDA submission, possibly in Q2 2009. An additional use, neuropathic pain/epilepsy, could be pursued either solely (funding permitting) or with a partner. 2) Sabcomeline — Phase II clinical trials planned for treating cognitive decline associated with schizophrenia with further development likely as fixed-dose combination with an atypical antipsychotic.	Market cap: £29.5m Founded: 2001 No of employees: 7 Revenues: £0 EPS: –0.11p (year ended 31 March 2006) Cash: £17m *pro forma* (fund raising completed in March 2007). Edison financial model forecasts cash of £9.8m as of 31 December 2007.

Market

Tonabersat is one of a small number of drugs in clinical studies for prevention of migraine. Johnson & Johnson's Topamax (topiramate), an anticonvulsant, has obtained approval for migraine prophylaxis as a second indication. Topamax achieved sales of around $1bn in the migraine indication in the US, but faces patent expiry in 2008. Abbott's Depakote (divalproex sodium), another anticonvulsant, is also approved for the condition and other drugs are used off label, including beta-blockers (e.g. propranolol), anticonvulsants (e.g. lamotigine) and antidepressants.

Tonabersat appears to have a more commercially attractive profile than topiramate, which has a number of potentially serious side-effect issues (including oligohidrosis, hyperthermia and metabolic acidosis). The migraine prophylaxis market will see an increased profile with the likely introduction later this year of frovatriptan in the menstrual migraine indication. The success of topiramate in the migraine indication suggests migraineurs who experience relatively frequent attacks would clearly prefer to take a once-daily therapy that reduces or potentially eliminates their condition altogether. There is also increasing concern in the medical community about the long-term effects of frequent migraine attacks.

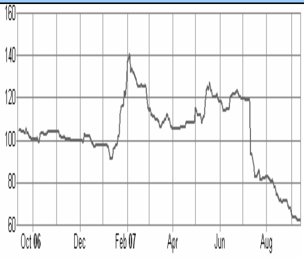
The table below lists current R&D programmes aimed at migraine prophylaxis.

Product	Company	Status/notes
Frova MM (frovatriptan)	Vernalis/Endo Pharmaceuticals	filed in the US for short-term prevention of menstrual migraine; PDUFA date 30 September
Laxymig	Lotus Pharmaceuticals	Phase III completed
lacosamide	Schwarz Pharma	Phase III study recruiting
pregabalin	Pfizer	Phase III not yet open for recruitment
zonisamide	Elan	Phase II completed
AST-726	Ariston	Phase II study recruiting
tonabersat	Minster	Phase IIb study planned
Dysport (botulinium toxin type A)	Ipsen	Phase II
perampanel (E2007)	Eisai	Phase II study no longer recruiting

Allergy Therapeutics

LSE: AGY

Allergy Therapeutics is a UK speciality pharmaceutical company focused on the treatment and prevention of allergy. Allergy is well financed with £15m of cash, a revenue-generating business and a €40m debt facility, which it plans to draw down to finance the final stages of development of its grass and ragweed vaccines. The company suffered a setback in July when the FDA placed its studies on clinical hold, pending investigation of a possible side-effect issue, which has yet to be resolved.



Products

Allergy has a profitable core business manufacturing and selling standard allergy vaccines.

It has an existing sales base, an MHRA-approved manufacturing capability and an established sales and marketing infrastructure in several major European markets.

Financial snapshot

Market cap: £48m

Founded: 1998

No of employees: 267

Revenues: £23.6m (Y/E June 2006)

EPS: –9.3p (Y/E June 2006)

Cash: £15.2m (December 2006)

R&D programmes

Allergy has a number of next-generation anti-allergy vaccines in development:
1) Pollinex Quattro — these are ultra short-course injectable allergy vaccines aimed at improving on previous approaches, which similarly attempted to desensitise patients but were associated with safety concerns and a long (12-week) treatment regimen. The range comprises Pollinex Quattro Ragweed (under regulatory review in Canada), Pollinex Quattro Grass (Phase III in the US), Pollinex Quattro Tree (Phase II) and Pollinex Quattro Japanese Cedar (preclinical). Pollinex Quattro Grass Phase III trial is fully recruited (1,028 patients). These trials are all currently on clinical hold, pending clarification of a side-effect issue involving one patient which emerged in the study. Initial results from these studies was expected around the end of Q1 2008 with full data expected in mid-year, but these timeframes may now have slipped. These trials, if successful, are suitable for registration in both the US and Europe. Similarly, a BLA submission was planned for early H2 2008.

2) Oral MPL Grass – a range of orally administered allergy vaccines comprising common allergens combined with MPL (monophosphoryl lipid A) adjuvant, in Phase II studies. Results of a Phase IIa study showed the vaccine to be safe and well tolerated; with clinical symptoms improved following an eight-week treatment period; immunological response was noted following an eight-week treatment period; and efficacy results follow a MPL dose dependant pattern.

Competitive position

Current approaches to controlling allergy — anti-histamines, leukotriene inhibitors and steroids — tend not to be disease-modifying, giving short-term symptom relief rather than curing the underlying allergy. Alk Abello, Curalogic and Stallergenes are the other companies developing oral and sublingual tablets to address the long-dosing issues associated with the old desensitisation techniques.

The table below reviews the development status of novel allergy vaccine projects in clinical development.

Product	Company	Route of admin	Status
Grazax	Alk-Abello	sublingual	approved in Sweden
Grass pollen vaccine	Stallergenes	sublingual	awaiting approval in EU
Ragweed vaccine	Allergy Therapeutics	injectable	awaiting approval in Canada
Ragweed vaccine	Curalogic	oral	Phase III
Grass pollen vaccine	Allergy Therapeutics	injectable	Phase III, on hold
Grass pollen vaccine	Curalogic	oral	Phase II
Cat allergen vaccine	Curalogic	oral	Phase II
Tree pollen vaccine	Allergy Therapeutics	injectable	Phase II, on hold
House dust mite vaccine	Alk-Abello	oral	Phase I
Ragweed vaccine	Alk-Abello	oral	Phase I
Birch pollen vaccine	Stallergenes	oral	Phase I
House dust mite vaccine	Stallergenes	oral	Phase I

AOI Medical	LSE: AOI
AOI Medical is a developer of orthopaedic devices for use in spinal fractures, extremity fractures and disorders associated with vertebral degeneration. It is based in Florida, US.	AOI floated on AIM on 22 June 2007.
R&D programmes	**Financial Snapshot**
AOI is developing three products: 1) BAMF Spine — a combination device for treating spinal compression fractures caused by osteoporosis or trauma. It comprises a cutting device and a balloon to restore the height of the fractured vertebra, deliver cement into the cavity and contain it there. BAMF Spine is to become AOI's first marketed product, with US regulatory approval and launch expected end of 2007/early 2008. 2) BAMF Trauma — a removable, inflatable nail for the stabilisation of fractures of the long bones of the arms and legs; it is inserted into the intramedullar canal of the fractured bone and then inflated to fill the space. US approval is slated for the fourth quarter of 2011. 3) Cervical Plate — an artificial ligament for use in spine disc replacement in severe intractable disc disease; it is designed to allow some translational and rotational motion and prevent the spinal stiffness commonly experienced with current treatments. Sales under a US investigational device exemption could begin in the fourth quarter of 2008, with full US approval planned for the end of 2011.	Market cap: £27m Founded: N/A No of employees: N/A Revenues: N/A EPS: N/A Cash: c.£8m (sum raised in IPO)

Market

Kyphoplasty describes a minimally invasive procedure of balloon-assisted vertebroplasty (using Kyphon's KyphX device) which is designed to allow the spine to be realigned before introducing bone cement to repair/strengthen a fractured vertebra. BAMF Spine ('BAMFoplasty') represents a significant advance on this by using a single incision rather than two, requiring fewer steps and being less susceptible to cement leakage. The global market for kyophoplasty is estimated at $500m in 2009. The key competitor is now Medtronic (which has just acquired Kyphon for $3.9bn) with additionally Somatex (Somatex/Somatix) and Arthrocare (Parallax) involved in vertebroplasty.

Intramedullary nailing is a well-established and growing technique for the stabilisation of fractures of the long bones of the arms and legs. BAMF Trauma requires a smaller gauge at the point of insertion and can be easily removed by deflating the balloon. The latter quality could make its use particularly popular in treating children, in whom growth of the affected limb can be impaired if a traditional device is left in place. Estimated global market for BAMF Trauma: $773m in 2009.

The current treatment for severe intractable disc disease is spinal fusion, but this causes stiffness of the spine and could have a failure rate as high as 37%. Several other non-fusion approaches are in development. The Cervical Plate device aims to return patients to a normal range of motion when used in combination with alternatives to fusion, and its small size should make it less disruptive than other devices. Estimated global market for Cervical Plate: $456m in 2009. Key competitors include: Medtronic, Stryker, DePuy and Synthes.

Medivance	PRIVATE
Medivance is a private US business focusing on the emerging field of therapeutic temperature management. Its marketed Arctic Sun device is designed to cool patients rapidly to achieve 'therapeutic hypothermia'. Therapeutic cooling has been shown to reduce brain damage after traumatic events such as cardiac arrest and brain injury, and could have uses in treating stroke and fever etc. and control temperature precisely as a therapeutic tool.	
Market	**Financial snapshot**
Medivance believes that the market potential for therapeutic cooling addressed by its current products is $650m, but with additional uses, it could increase beyond $2bn/year. Current non-invasive procedures for managing temperature include cooling blankets and wraps, cooled fluids, ice packs etc, but these are labour intensive and lack a control system. Catheters are the other category of competitive products, but these generally cannot be used soon after traumatic event onset and are associated with complications. Arctic Sun is priced roughly between the two above competing approaches.	Founded: 1998 No of employees: N/A Revenues: $2.9m (year ended December 2005) Net loss: $6.9m (year ended December 2005) Cash: $5.4m (30 September 2006). Medivance raised $4.5m in a convertible debt placing in December 2006.
R&D programmes/ Products	
Arctic Sun is a patented and FDA-approved device sold in several countries, with applications in emergency departments and intensive care settings for the therapeutic cooling of patients. Arctic Sun was introduced in 2004 and is being used in the US, Europe and Asia. Developmental products are: 1) Arctic Blast — a device for use to assist in the rapid induction of therapeutic hypothermia outside the hospital environment, primarily in cardiac arrest patients, but also in heat stroke, fever reduction and brain trauma. Preclinical studies suggest that clinical outcomes could be improved by inducing hypothermia as soon as possible after a traumatic event. 2) Arctic Sun Express — designed to initiate and assist cooling in smaller, outlying hospitals that intend to transport patients to larger facilities for ongoing treatment. The size and electrical requirements of the current Arctic Sun device prevent it from being used in these transport situations.	

Lombard Medical Technologies — LSE: LMT

Lombard Medical Technologies is a UK medical devices company principally involved in the development, manufacture and marketing of stent grafts for the treatment of abdominal aortic aneurism (AAA) and thoracic aortic aneurysm (TAA).

Market

The market for repair of abdominal aortic aneurysms is currently valued at over $400 million worldwide and is expected to rise to $1 billion by 2010. The US market for AAA stent grafts was valued at $300m in 2006 and is forecast to grow at a compound annual growth rate of c.13% over the next five years, to achieve a total market value of c. $550 million, driven by the introduction of screening programmes such as Screening Abdominal Aortic Aneurysms Very Efficiently (SAAAVE), under Medicare in the US.

Financial snapshot

Market cap: £13.2m

Founded: 2000

No of employees: 50

Revenues: £0.52m (Y/E December 2006)

EPS: -17.84p (Y/E December 2006)

Cash: £11.8m (31 December 2006, pro forma for subsequent fundraising)

R&D programmes

Lombard Medical is principally focused on the development of the Aorfix stent graft. This addresses the shortcomings of first generation AAA stent grafts, particularly the lack of flexibility and difficulty of application, due to complex delivery systems and the inability of the stent graft to cope with aneurysm remodelling post-implant. These limitations could lead to unnecessary re-interventions for the patient and therefore a reluctance for the physician to perform an otherwise clinically superior procedure.

In addition, the company has a polymer coatings division, which specialises in biomaterial sciences involved in the development of novel technologies for the healthcare industry. The core technology of the division is currently focused on developing coatings for drug eluting stents, coatings of cardiovascular and urology devices and Hydrogel wound care products.

Valuation

In recent months, MDY's shares have traded at an unusual and significant discount to its NAV. Our estimate of the current NAV is approximately £16.5m, suggesting the share price is trading at more than a 30% discount. As with all collective investment vehicles, short-term share price movements in relation to the underlying assets may from time to time represent a discount or premium to net asset value. Currently, the more than 30% discount is large in comparison with its sector-focused peers, such as healthcare investment trusts, shown in Exhibit 2.

Exhibit 2: UK biotech/healthcare collective investment vehicles

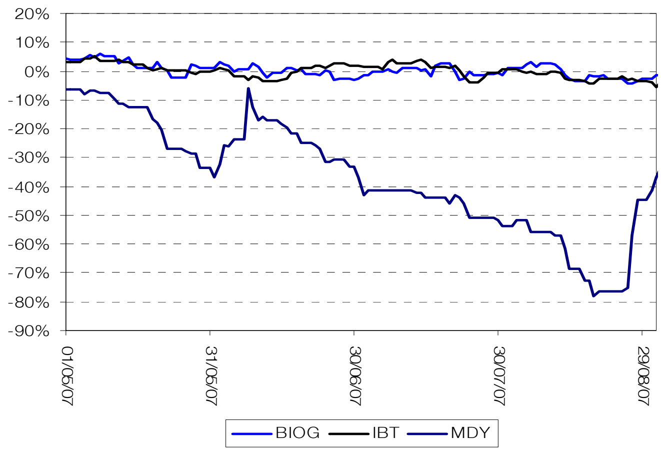
Note: Share prices as of 14 September; NAV is last published, except for MDY (Edison forecast).

	Share price (p)	Market cap (£m)	NAV* (£m)	NAV/ Share (p)	Premium /discount	Investment portfolio
International Biotechnology Trust (IBT) ords	140	65.7	73.2	159	12.4%	Mostly US large cap biotech/ emerging pharmaceutials.
Biotech Growth Trust (BIOG)	116	75.8	81.4	124	-6.5%	Mostly US large cap biotech.
MDY Healthcare (MDY)	76	11.4	16.5*	113	-30.0%	UK/US small/medium cap biopharmaceutical and medical devices.

Source: Edison Investment Research

Exhibit 3 illustrates the premium/discount to NAV of MDY (based on the last reported NAV of 113p per share) and the two listed collective investment companies over the past year. As can be seen, MDY's has traded to a steep discount, albeit closing in recent months, while its comparators have tended to fluctuate mostly between a discount of 5% and a premium of 5%.

Exhibit 3: IBT, BIOG and MDY discount (premium) to NAV 2006–2007



Source: Bloomberg

Management

Exhibit 4 lists MDY's management team and advisors.

Exhibit 4: MDY management

Directors	
David Wong Chairman	Chairman of MDY since 2003 and a director since 1998 (CEO of Medisys from 1998 to 2003). Founder and director of several companies in the medical, bioscience and other fields.
Charles Spicer Chief executive officer	Appointed CEO in July 2006. Previously head of healthcare corporate finance at Numis Securities (2003–2006) and Nomura International (1998–2003), advising on corporate finance, M&A and corporate broking.
Alan MacKay Non-executive director	Appointed NED in July 2006. Global lead partner of healthcare at 3i Investments plc and a member of the 3i leadership team, responsible for investments in pharmaceuticals, medical device and healthcare services in Europe, the US and Asia.
Derek Ablett Non-executive director	NED since 1997 and chairman to 2003. He has 18 years of experience in banking with a major UK clearing bank and 11 years with a merchant bank. NED to companies operating in a number of sectors.
Executives	
Robert Watson Associate director	Joined MDY in December 2006. Previously an investment analyst at Sofinnova Partners, a French VC firm, where he worked in a team investing in private biopharmaceutical and medical technology companies. Previously a molecular geneticist and neuroimmunologist at Oxford University.
Louisa Hellier General counsel, company secretary	Appointed in September 2006. Previously corporate finance director in the healthcare group at Nomura International (1998–2006) and a solicitor in the corporate department at Allen & Overy, where she qualified in 1996.
Marina Nones	Joined MDY in September 2006. Prior experience at Terra Firma Capital Partners, Nomura International and Bank Hapoalim.
Senior advisors	
Lawrence Kinet	Non-executive chairman of Oxford Immunotec and Endosense and a director of M2. Previously an executive director of Smiths Group, chairman and CEO of Aksys (a medical equipment company involved in automated home dialysis for kidney patients) and of Oculon (a specialist in cataract inhibition). Prior experience in senior management at Baxter International.
Jonathan Milner	Co-founder and CEO of Abcam, an AIM-listed producer and distributor of research-grade antibodies and associated products.
Brian Steer	Non-executive chairman of Gyrus, a FTSE-250 medical technology company specialising in tissue management and visualisation during surgical procedures, which he joined in 1997. 40 years' experience of management within the healthcare industry, including 20 years with Baxter Healthcare and 10 years as president of Zimmer International.
June Scott	Until recently senior portfolio manager and head of healthcare at Close Investments (formerly Reabourne Technology). Before that director and fund manager specialising in healthcare at Sagitta Asset management and Foreign & Colonial Investment Management. She has an MBA from London Business School and a BSc in biological science.

Source: MDY Healthcare