2019 in review (+29% so far)

With 2019 coming to an end we have reviewed our actions as well as the state of the industry.

We consider our net performance for 2019 of +29% so far to be adequate, nevertheless it was a turbulent year. Our patience has been put to the test, and still is today, with several of our portfolio companies being significantly undervalued by the market. Of course, we can’t expect other investors to start noticing the undervaluation we see the day we have finalized our investment in a company. That would only happen in an ideal scenario. Running a fund in the public market is all about being focused, disciplined, and patient.

The majority of our 29% performance this year has been generated by the larger companies in our portfolio. We saw investors neglecting smaller enterprises for most of the year, up until a month ago when we started to see appetite for some more risk-taking. Regardless, we just stick to our formula of investing a minimum of 75% in de-risked companies and a maximum of 25% in high-risk/high-reward ones.

As we predicted in our first newsletter of this year, 2019 has been a good year for biotech M&A with a total deal value of $340 billion, reconfirming the trend that established companies rely more and more on acquiring innovative medicines instead of developing them themselves. Amongst the acquisitions were two of our portfolio companies, being Celgene and Nightstar which were acquired for $74 billion and $800 million respectively. During the same period, the 10 largest deals combined were worth $193 billion.

After immuno-oncology companies being at the center of attention in 2018, 2019 was the year in which gene and RNA companies have drawn the attention, this after 30 years of intense R&D.

The Aescap 2.0 team is currently preparing for the JPMorgan Healthcare conference in San Francisco which takes place in the third week of 2020. This conference is one of the more important ones for us given that all 800 public biotech companies from the EU and US will be present.

For 2020 one thing is certain, it is going to be another exciting year in the medicine industry with numerous additional investment opportunities. The biotech industry is really gathering momentum and is going to launch more innovative medicines over the coming years than it has ever done in the past.

Wishing you a happy holiday season.

Best regards on behalf of the Aescap 2.0 team,

Patrick J. H. Krol
Portfolio Manager Aescap 2.0

About Aescap 2.0

Aescap 2.0 is an open-end fund investing in public biotech companies that develop and market next generation medical treatments. Within its focused portfolio of around 18 companies it diversifies over different diseases, development phases and geographies. Companies are selected for their growth potential ('earning power') and limited risk (technological and financial). Investors can enter and exit the fund twice a month.

The selection of companies in our portfolio is based on 'high conviction' - extensive fundamental analyses combined with intense interaction with management and relevant experts. The fund's performance is fueled by stock picking and an active buy and sell discipline. Biotech stocks are known for their very low correlation and high volatility, caused by media, macro-events and short-term speculative investors. This creates an ideal setting for a high conviction fund manager to invest in undervalued companies with a great mid- and long-term earning power. The fund has an average annual net performance target of 20%+ over the mid-term (4-5 years)

5-star Morningstar rating:
Morningstar has rated Aescap 2.0 as a 5-star investment fund, the highest possible rating given. Morningstar's rating has become the industry's leading standard for determining a fund's performance (risk/reward) relative to other funds. To rate a fund, Morningstar takes into account the long-term performance (3+ years) and only the top 10% best performing funds will receive a 5-star rating.

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The Fund has appointed ACOLIN Fund Services AG, succursale Genève , 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. Banque Heritage SA, 61 Route de Chêne, CH-1207 Geneva, Switzerland is the Swiss Paying Agent. In Switzerland shares of Aescap2.0 shall be distributed exclusively to qualified investors. The fund offering documents and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to the shares of Aescap2.0 distributed in or from Switzerland is the registered office of the Representative.