Quarterly Report Q4, 2019

+30,0% Net Performance for 2019

After a sluggish third quarter we had a very positive fourth quarter in which the fund made a net performance of +24.6%. We ended 2019 with a net performance of +29.98%. This resulted in a 2.9x (188%) net outperformance of the NASDAQ Biotech Index (NBI) since our inception.

During the fourth quarter the share price of several portfolio companies came close to our price targets, leading to a sale of those positions. At the same time, new undervalued high-growth companies were added to the portfolio.

Value Update

Unit Value December 31, 2019:
€ 2.242,1433

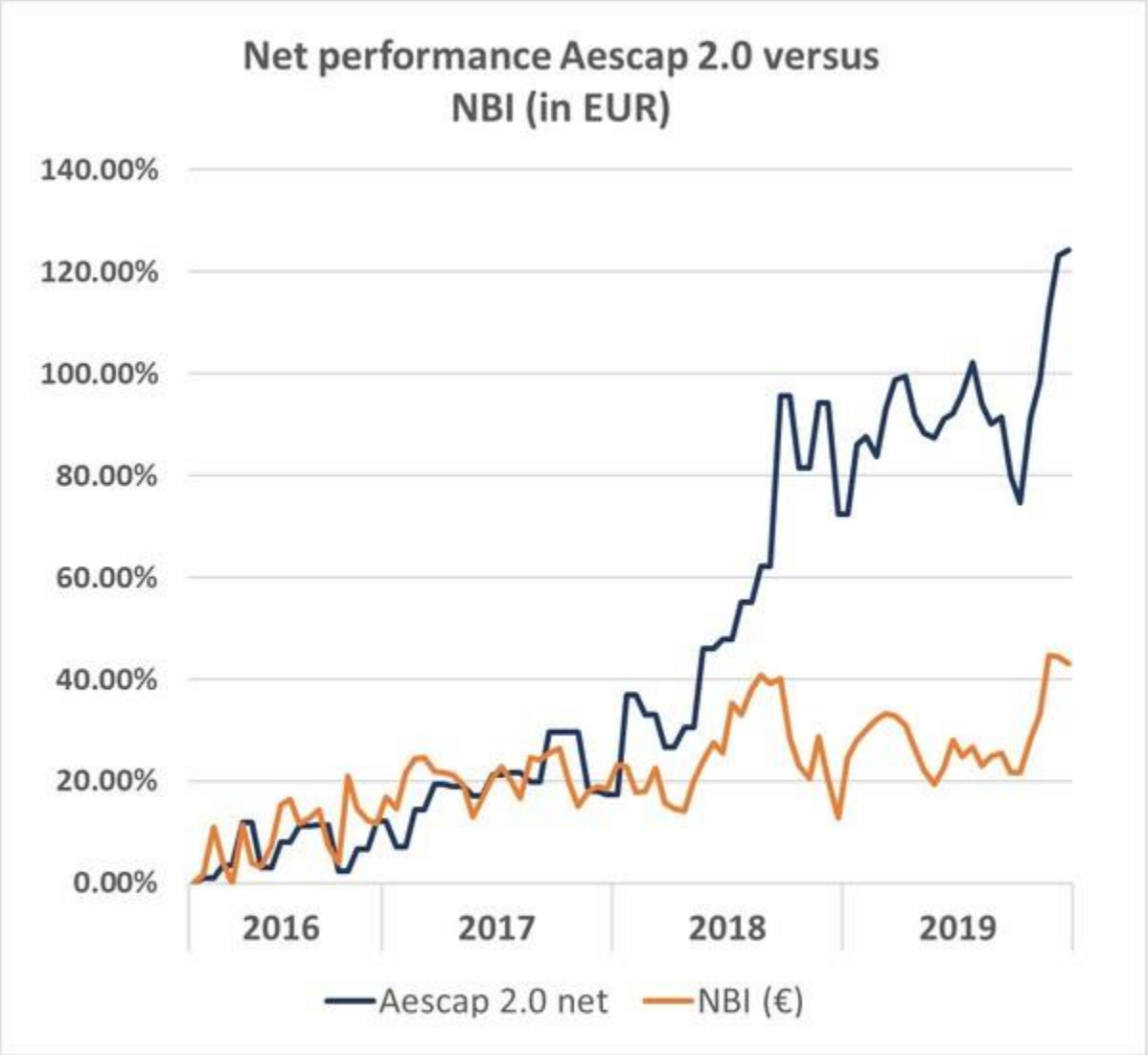
Assets Under Management:
€ 179.106.560

Location (based on value):
Europe: 80%
US: 17%
China: 3%

Invested per Currency:
USD: 49%
EUR: 34%
DKK: 14%
SEK: 3%

Net Performance (from inception of the fund at March 28, 2016)

Since Inception	2019	1 month	1 year	2 years	3 years
+ 124,2%	+ 30,0%	+ 5,5%	+ 30,0%	+ 90,9%	+ 99,8%



Top-5 Performers

1. UniQure	**82%**
2. ProQR	**72%**
3. KalVista	**54%**
4. Dicerna	**53%**
5. Argenx	**38%**

Portfolio Highlights

Dicerna (+53%)

Dicerna has been remarkably active on the business development front. In October the company signed a large deal with Swiss pharma company Roche to develop a medicine for the treatment of chronic hepatitis B virus (HBV) infection. Despite the availability of effective prophylactic vaccines for Hepatitis B (HBV), chronic HBV is still a major health issue worldwide, being more widespread in emerging economies but also a relevant healthcare burden in the Western world. People with HBV infection are at severe risk of developing cirrhosis and liver cancer, as well as many other problematic symptoms. Current standard of care helps with the management of the disease but only very rarely cures HBV infection. Therefore, new treatments such as Dicerna's are in development to achieve a so called "functional" HBV cure.

Dicerna's latest deal came in November when it signed a license agreement with Novo Nordisk to develop novel therapies to treat liver-related cardiometabolic diseases such as type 2 diabetes, chronic liver disease, non-alcoholic steatohepatitis (NASH), and others.

These two deals together brought in $375 million in upfront payments, as well as $50 million in equity investment, and around $1.827 billion of future potential milestone payments plus royalties. Also thanks to the collaboration deals Dicerna signed in October 2018 with biopharma companies Eli Lilly and Alexion the company is in a solid financial position.

In December Alexion decided to expand the existing license agreement by adding two additional medical targets to the two already included in the deal, triggering a further $20 million option exercise payment to Dicerna.

Beyond the business development activity, Dicerna is developing an internal pipeline of medicine candidates, with its lead medicine candidate currently in late stage clinical trials for the treatment of a rare disease called primary hyperoxaluria. Initial results are expected mid-2020.

Hansa Biopharma (-35%)

Hansa Biopharma's lead asset, known as Imlifidase, is in development to enable organ transplantation in patients that would otherwise have very slim or almost no chances to obtain a new organ. The company's initial focus is on kidney transplantations, which represent roughly 66% of all transplantation procedures worldwide.

The medicine, a bacterial enzyme that is administered 4 to 6 hours before the transplantation, quickly eliminates the body's immunoglobulins g which are the main agents that drive organ rejection. This creates the opportunity to transplant organs which otherwise would have not been eligible for transplantation due to a severe mismatch between donor and patient. Afterwards, the patient's body resumes production of immunoglobulins g to normal levels. The company is expecting approval of the medicine in Europe in 2020.

In December the company announced it will have to do an additional (though small) phase 3 trial to be able to file for approval in the US. Though for us this was expected based on earlier FDA discussions, it was poorly received by the investor community and Hansa Biopharma's share price plummeted. The company is also testing imlifidase in acute auto-immune diseases where there is a high unmet medical need as well.

Zai Lab (+29%)

Portfolio company Zai Lab is a Chinese biotech company that is listed on NASDAQ. The company is leveraging the advantage of commercializing Western medicine as a local Chinese company. The foreign originator does not have to build a separate salesforce themselves in China, but can still benefit from the huge Chinese market potential.

A key milestone was reached in late December when Zai Lab obtained approval of ZEJULA® (Niraparib) in China for the treatment of ovarian cancer. Given the unmet need, Zai Lab's positive relation with caregivers and commercial force, we expect sales to start ramping up at a fast pace.

Though Zai Lab puts most of its resources at work in the duplication of phase 3 clinical trials, needed for local approval and the launch of the in-licensed Western medicines, it also has been building its own pipeline of medicine candidates from which we expect the first products to enter clinical testing this year.

So far Zai Lab in-licensed 7 cancer medicines, 2 antibiotics and one medical device. It has recently launched its first two products in the market, both for the treatment of specific cancers.

China not only has the largest population in the world, its spending power is increasing rapidly as well. Although prices of medicine are definitely lower compared to Europe and the US, the Chinese market for biotech medicines is 3,5 times larger, and just started to really get on the radar of biotech companies.

Zealand Pharma (+35%)

Zealand Pharma initiated a second phase 3 for Dasiglucagon in congenital hyperinsulinism, a life-threatening disease for newborns for which it received a Rare Pediatric Disease designation from the FDA in November.

In late October, Zealand Pharma completed its first ever acquisition with Encycle therapeutics which strengthens its leadership in peptide therapeutics and in targeting gastrointestinal diseases with the addition of a pre-clinical, orally-delivered macrocycle peptide.

Furthermore, Zealand Pharma partner Beta Bionics received FDA Breakthrough Device Designation for their iLet™ Bionic Pancreas System. The iLet is a pocket-sized, wearable medical device that autonomously controls blood sugar in people with diabetes. If approved, it would be the world's first bionic pancreas system. The FDA's Breakthrough Device Designation Program provided Beta Bionics with priority review which includes benefits related to FDA interaction. This will positively benefit Zealand Pharma's time to market for its Dasiglucagon cartridges.

Outlook

The most important factor for our continued success is our ability to find undervalued, solid and well managed high-growth biotech companies. We believe the key to finding these opportunities is focus and discipline. With around 800 public biotech companies to choose from there are always at least 20 which have been overlooked, just because many investors behave like sheep and the media are very powerful in defining which companies get on the radar of investors next.

We are looking for companies that develop and/or sell better and safer treatments but that are still seriously undervalued. Since the biotech industry is a non-cyclical industry, we feel comfortable in times where other investors might be looking for more defensive industries with typically lower returns.

Focus

Having a focus on biotech gives us the ability to understand information that can be key to a due diligence process. This gives us an edge over other investors. Every sector has different pitfalls and opportunities and the more time you spend in one sector, the more you learn where they are and how to approach them. This gives us the ability to make rational decisions on why to choose one specific biotech investment over another.

Discipline

Being disciplined is translated into leaving no stone unturned. In doing our due diligence we need to look at every single variable of a company since every variable on its own, independent of the others, can be crucial to the success of an investment. We look not only at financials, science, products and management, but also at competition, the market, the unmet medical need and ethics for an investment to qualify. In that process every variable needs to be checked intensively before proceeding to an investment. Due to our focus and discipline we sometimes miss out on a good investment opportunity, but we strongly believe it is better to miss out on a good opportunity than to make a bad investment.

Discipline is also crucial in our calculation of a company's intrinsic value. We can allow ourselves to be very critical since we only need to invest in 1 out of 40 companies that come across our radar. Being disciplined with the price targets we calculate from our valuations gives us the ability to only invest in companies when they are undervalued enough and sell them once they aren't any longer. In the large and rapidly growing biotech market there will always be serious investment opportunities since the media are always capable of creating overly positive as well as overly negative stories around companies causing their share prices to go to irrational levels. By truly looking at the facts on the table, we prevent ourselves from being influenced by rumors from the media.

Starting at zero again

Although we have a 24,0% net annualized performance since the start of the fund, it is only our future performance that counts. We are of course happy to close another year well above our target performance but have started 2020 at zero again and feel we need to prove and improve ourselves year after year.

Management

Next week we will again be off to the JPMorgan Healthcare conference in San Francisco, the biggest conference in our industry, to meet one-on-one with 40+ management teams of - what we believe are - some of the best companies in the industry. It is very important for us to regularly meet face to face with the companies we are invested in or which are on our radar, because at the end of the day it is the management of those companies that also in 2020 will play a major role in the performance of Aescap 2.0.

Best Wishes for 2020 on behalf of the Aescap 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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Disclosures for Swiss Investors:

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.

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