Quarterly Report Q1, 2020

Q1 -20,9%, Positive Outlook for Biotech Industry Remains

The first quarter has been a turbulent one, with the coronavirus outbreak impacting global economies. Like the general market, the biotech market together with Aescap 2.0 portfolio, has been going down significantly. However, we believe that the extent of the drop of the biotech sector is irrational.

Despite all this and especially now, the biotech industry remains a very attractive industry because of its non-cyclical character. In times like these, the same amount of medicines are used as before, if not more, and health insurers continue to reimburse them.

We do not expect the volatility to be gone anytime soon. Rather than timing the market, which is impossible, we aim our efforts at making use of the market's volatility through trading on evident irrational changes in share prices caused by investors panicking.

Like we also discussed in our webcast last Friday: we believe it's better to step in (partly) today to safeguard the return that is already obvious, rather than to gamble on more decline and potentially miss the boat. Only one small investor has left the fund over the course of 2020 and many new investors have recently joined the fund together with existing ones increasing their investment.

Value Update

Unit Value March 31, 2020:
€ 1.773,2206

Assets Under Management
€ 153.036.760

Location (based on value):
Europe: 64%
US: 29%
China: 5%

Invested per Currency:
USD: 53%
EUR: 28%
DKK: 15%
SEK: 4%

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

Since Inception	2020	1 month	1 year	2 years	3 years
+ 77,3%	- 20,9%	- 10,8%	- 10,7%	+ 40,0%	+ 48,4%

Top-5 Performers

1. Zai Lab	+ 24%
2. Zealand Pharma	- 1%
3. Galapagos	- 3%
4. Hansa Biopharma	- 7%
5. CytomX	- 8%

Portfolio Highlights

Galapagos (-3%)

We learned from Galapagos that recruitment for some of their filgotinib trials have been paused due to the Corona pandemic, because the immunosuppressive effect of filgotinib can reduce people's ability to fight COVID-19. Patients who already had been recruited in the study, can continue to participate in the trial. As of yet, no one has decided to drop out of the study and all enrolled patients continue treatment. We have

been running this delay through our models and, assuming an average four months delay, we saw a 1,5% decrease of the overall company value.

Galapagos also mentioned that a phase III trial with filgotinib in Ulcerative Colitis, an inflammatory bowel disease, was already fully enrolled and will readout as expected mid-2020. Two other important milestones for filgotinib in 2020 are a decision from the FDA and EMA on a potential approval of filgotinib in Rheumatoid Arthritis.

Also this quarter, Galapagos announced they fully recruited their phase II trial with GLPG1205, a product for the treatment of the progressive and deathly lung disease Idiopathic Pulmonary Fibrosis (IPF). This study will likely read out in the third quarter of this year. IPF belongs to one of the company's specific areas of interest for which they now have three different products in development.

With the cash injection that Galapagos received from the unprecedented deal with Gilead last summer, the company is very well capitalized, and their business development department is working at full speed. Therefore, we wouldn't be surprised if we would see news announced from these efforts besides the readouts of clinical trials.

Ionis Pharma (-22%)

Ionis had important announcements throughout the first quarter of 2020. Ionis along with its partner Akcea, a biotech company of which Ionis owns more than 75% of outstanding shares, announced positive results from two different phase 2 clinical trials. These trials were investigating two medicines based on Ionis' proprietary technology in the field of antisense oligonucleotide therapeutics. The two studies met their primary clinical endpoints with significance in patients affected by hypertriglyceridemia, type 2 diabetes and non-alcoholic fatty liver disease (NAFLD). These conditions affect millions of patients worldwide, and Ionis' technology brings closer an innovative approach for their treatment. These positive results not only warrant advancement to the next clinical stage, but also give further proof that Ionis' antisense oligonucleotide technology can be successfully applied to large, common diseases and not only in rare diseases.

In late February the company also announced full 2019 results and guidance for 2020. Ionis reported $1.1 billion in revenues for 2019, led by the continued commercial success of its blockbuster medicine Spinraza for the treatment of spinal muscular atrophy, a group of rare, neuromuscular disorders often affecting infants and children. Spinraza originated from

Ionis' technology and is marketed by its partner Biogen, a top-5 biotech company. Ionis closed the year with a strong cash position of $2.5 billion. The announced guidance for 2020 anticipates Ionis to remain profitable despite the substantial continuous investment in R&D, both in discovery and clinical development. Ionis has 30 different medicine candidates in clinical studies most of which are paid for by license-partners like Bayer, Biogen, GSK and Roche.

Evotec (-11%)

The first quarter of 2020 has been rich of news for Evotec. The German company has announced new alliances as well as expansion of existing ones. In early January Evotec announced a new deal with its partner Bayer to translate advanced science and drug discovery programs into new treatments for polycystic ovary syndrome, a hormonal disorder that affects millions of women of reproductive age worldwide.

Furthermore, Evotec announced expansion of research collaborations with important partners such as Bristol Myers Squibb and Merck, both top-10 pharma companies, as well as with smaller but highly innovative biotech companies such as Indivumed. All of these announcements triggered milestone payments that contribute to Evotec's continued revenue growth.

The company has also provided an update on its operations amid the COVID-19 worldwide pandemic. It is actively managing supply chain and supplies to maintain business continuity in each country they operate in. As of latest release, Evotec confirmed that it continues to operate in all its sites globally.

Lastly, in late March Evotec has published 2019 full year results and provided outlook for 2020. The company beat estimates in both revenues and EBITDA, at € 446.4 million and € 123.1 million, respectively, while also strengthening its liquidity position to € 320 million. Even considering today's uncertainties due to the pandemic, Evotec expects continued organic growth for 2020.

Zai Lab (+24%)

A company that has successfully delivered on planned milestones in Q1 is Zai Lab. The company closed a public follow-on offering early January raising approximately US$300 million. Aescap 2.0 increased its stake in the company through this financing round. Zai Lab announced its partnered product with top-10 pharma company GlaxoSmithKline –

Zejula, a medicine developed to treat Ovarian cancer – was approved in mainland China in second line ovarian cancer.

The coronavirus crisis has somewhat disturbed Zai Lab's product launching activities, which began prior to the coronavirus outbreak. However, Zai Lab has put in place a home delivery system for Zejula to circumvent any travel restriction that could hamper medicine delivery to patients. Important to note, when ZEJULA was approved in Hong Kong in October 2018, it rapidly gained market share in the region despite being launched more than two years behind Lynparza®, its main competitor. At the end of 2019 Zejula's market share in Hong Kong was already 71%. Given the similar competitive landscape in ovarian cancer in mainland China, Zai Lab's deep engraftment in the Chinese medical community, and Zejula's favorable reimbursement profile, we are confident that Zai Lab will turn Zejula into a success. In March, Zai Lab also announced its application for first line maintenance ovarian cancer had been accepted by the Chinese authorities. An approval is very likely in the coming months which will increase Zai Lab's target patient population.

Zai Lab licensed another product, Optune® (a neat device using electrical currents to treat patients with brain cancer) from Novocure in September 2018, has since launched it in Hong Kong and is expecting approval in China shortly.

In February, Zai Lab announced that the approval process for omadacycline for the treatment of Community-Acquired Bacterial Pneumonia (CABP) and Acute Bacterial Skin and Skin Structure Infections (ABSSSI) in China is ongoing. The Chinese infectious disease market is significantly underserved, and new medicines are desperately needed more than ever due to the rise in bacterial resistance. Omadacycline is particularly well positioned for the Chinese market due to its broad activity covering a wide spectrum of pathogens (including multi-drug resistance) associated with CABP and ABSSSI.

So far, Zai Lab has announced that it does not expect to be materially affected by the coronavirus crisis as a great majority of workforce has now returned to work and clinical trials have enough material to continue enrollment. We expect much more positive news from Zai Lab in the coming months.

Zealand Pharma (-1%)

Zealand Pharma started the year by announcing it had bid to acquire Valeritas Holdings Inc., a medical technology company and maker of a wearable insulin delivery device. If the acquisition goes through, Zealand

will profit from Valeritas' US-based salesforce to accelerate its transformation to a full commercial organization and be ready for Zealand's HypoPal (Dasiglucagon) launch in the US expected early 2021. HypoPal is a ready to use pen, containing glucagon, to be used when diabetes type 1 patients experience a sudden too low blood glucose level, which is a life-threatening situation. Zealand's hypoPal has an advantage compared to existing solutions either in ease of use or onset of action.

Positive news came once again from Dasiglucagon in late March from its ongoing Phase 2 trial in post-bariatric surgery patients experiencing too low blood sugar events, so called hypoglycemia. This proves that Dasiglucagon has potential in other indications, and confirmed the product to be safe and well tolerated.

Many development milestones are expected this year, two are worth noting: i) the initiation of a Phase 2 study for the treatment of Obesity/Type 2 diabetes, which would trigger a €20M payment to Zealand by licensing partner Boehringer Ingelheim; ii) phase 3 initiation of Dasiglucagon in Type 1 diabetes in collaboration with Beta bionics in a dual pump setting for which we have very high expectations. The beauty of this dual diabetes pump is that it continuously monitors the blood glucose level and if it reaches levels which are too high, insulin will be secreted, while when the blood sugar level is decreasing too much, Zealand's unique dasiglucagon is secreted instead.

Outlook

It is good to see how the pharma and biotech industry are responding to the COVID-19 outbreak. Already over 60 companies have put their R&D machinery at work to see if they can develop efficacious and safe medicine to treat or prevent the disease. Two of these companies are Gilead and J&J which have stated they would bring their products to market at cost or at a reasonable price and will not make use of the situation. Gilead dropped an 'orphan drug status' for their medicine remdesivir, the special status would have allowed them to sell at a higher price than is normally possible. And the companies like Novartis, Mylan and Teva are providing a generic medicine, called (hydro)chloroquine, for free for the treatment of the disease.

All of these actions shine a positive light on the sector. The outbreak as a whole shows how dependent we are on the constant development of new

medicines, not only to treat diseases like Alzheimer's and cancer, but also to protect us from, or fight, infectious diseases.

In our portfolio every company always needs to have a value creating event within the next six months. This together with the further undervaluation of our companies due to the recent panic in the market give us a good outlook for the remainder of the year.

For those who still have any questions or want to discuss the current market situation any further, please do not hesitate to contact me via pkrol@aescap.com or call me at +31 615 07 14 15.

Looking forward to report to you again next month.

Best regards 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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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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