Quarterly Update: Q3 2021

Continuing Strong Undervaluation of Portfolio

The overall risk awareness in the stock market has driven the average share prices of biotech companies down 5% in Q3. The fund's net performance for Q3 was -5,7%. As a result, the average undervaluation of our portfolio is now over 100% compared to our price targets. The undervaluation of our portfolio companies is even higher compared to the average price targets of analysts from banks.

As we have experienced in the past, it is matter of time before investors take advantage of this undervaluation.

M&A to Spark Renewed Interest in Biotech

When is the climate for biotech companies going to change?
Historically, interest of investors in the biotech industry was most often sparked by a large or multiple M&A transactions in the industry. As a matter of fact, the M&A deal volume in number of deals and total value has been very low over 2021. Typically, we had around 2 companies being acquired form our portfolio every year but if one looks at the numbers below it becomes apparent why that did not happen lately.

M&A activity in the first half of 2021 (data on the third quarter not yet available) show a heavy decrease with a total value of $ 24 billion, compared to an average annual amount of $ 161 billion over the last five years. Another notable reason is that in most previous years there have been at least one or two large scale deals worth $ 10-100 billion which we haven't seen in the first 9 months of 2021. Having said that, on the last day of the third quarter portfolio company Merck & Co announced the intended acquisition of Acceleron for $ 11,5 billion.

Today, we hear from law firms and M&A advisors that with the pandemic almost behind us and share prices of non-large cap biotech companies having gone down over the last 7 months, the larger companies have initiated M&A activity again.

China

The performance of the fund is not at all where we want it to be but our portfolio companies are delivering on their promise and with that they are generating the increased earning power we are aiming for. Other than the risk averse market sentiment since mid-February of this year, we also had to deal with pressure on the share price of our Chinese portfolio company Zai Lab.
After the Party in China announced multiple measures to drive down the cost of living for its local population (to fuel the birth rate) many Chinese companies saw their stock prices plummet.

Given the Chinese Party's plan to enhance the quality of the local healthcare system and to increase access to better medicines we think Zai Lab is positioned well. It is mainly the cost of real estate and education by third parties (in the Chinese rat race most kids get private education in the evening or on Saturday and Sunday to stand out) that are under fire. Also, large IT players that get too powerful and/or
get too much power and control over consumer data are under fire.
Please read more about the value creation within Zai Lab in the 'Company Highlights' section below.

New Team Member

We feel privileged to work in an industry where new ground-breaking technologies to treat severe diseases come to fruition with a pace we have never experienced before. This creates many opportunities for the fund to cherry pick from with the help of a continuous growing team and network of advisors. Over the lifetime of the fund we have added 4 people to the team, and yet another team member has joined since October 1st. His name is Michaël Mellink and we already know each other for over 20 years. Michaël worked in senior management positions at big pharma Eli Lilly and Cephalon, the latter was acquired in 2011 by Teva Pharmaceutical Industries.

Michaël will first start on a part time basis until mid-2022, when he will be leaving Odgers Berndtson as a Senior Partner of the global life sciences practice. Odgers Berndtson is one of the global leading executive search firms in the biotech sector and Michaël is advising clients on board and senior level appointments for pharma, biotech, medtech and service companies, working across international markets and a broad range of companies in the industry.

Meeting Companies in the US Again

It is good we can travel to the US again as of November 1st to visit companies and conferences, although the frequency of meetings has only increased with the efficiency of virtual meetings. Nevertheless, we look forward to seeing management teams in person again, since we know that more insightful observations can be made. One still gets a better feel what is going on within a company over a dinner than in a business meeting.

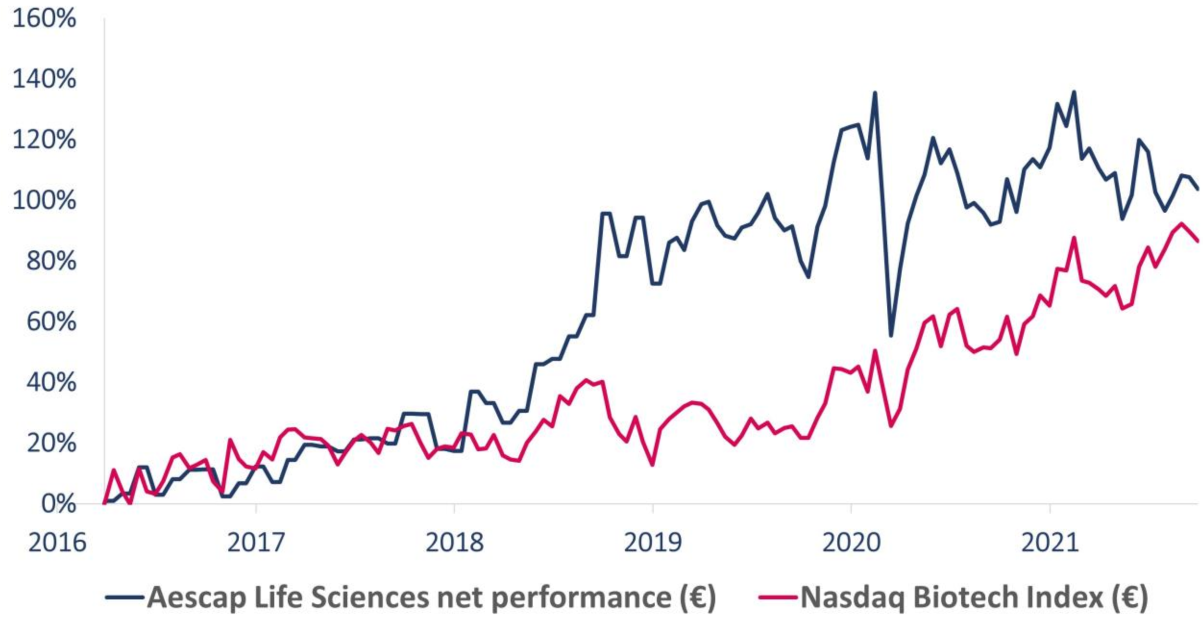
Upgraded Website

We are excited to share with you our upgraded website at www.aescap.com. One aspect of the website still is being finalized (the historical NAV figure database) so please bear with us while we get this in place.

Net Performance (since inception at March 28, 2016)

Unit Value per September 30, 2021:
€ 2.036,6792

Net IRR	2021	1 month	1 year	3 years	5 years
+ 13,8%	- 6,3%	- 2,2%	+ 5,6%	+ 4,1%	+ 82,9%



Fund Breakdown per September 30th

Assets under Management:
€ 185.473.799

Location (based on value):		**Invested per Currency:**	
Europe:	49,6%	USD:	85,9%
US:	42,6%	EUR:	5,8%
Asia:	7,8%	DKK:	3,1%
		SEK:	0,3%
		GBP:	4,8%

Top-5 Performers

1. ProQR Therapeutics + 24%
2. Allakos + 24%
3. Oxford Biomedica + 19%

4. **Amarin Corporation** **+ 16%**

5. **Alnylam Pharmaceuticals** **+ 11%**

Portfolio Highlights

Amicus Therapeutics (-1%)

At the end of the quarter Amicus announced its intents to spin-off a next-generation genetic company, called Caritas Therapeutics. This newly formed company, of which Amicus will hold 36%, will develop Amicus' gene therapy products. We believe this to be a positive event for Amicus as the gene therapy assets in our opinion were undervalued and will now receive full attention and financing in Caritas Therapeutics.

We've also favourably welcomed the incoming change in CEO, as John Crowley will hand over the CEO position to Bradley Campbell, the current COO. John was the founder of Amicus and did well in building the company but we deem Bradley better qualified to ramp-up sales with the launch of a second product next year in a multibillion-dollar market. John himself will become the new CEO of Caritas Therapeutics where he will find himself in the same position as when he built Amicus towards the commercialisation of products.

Another positive news came from the FDA, who said it accepted the filing for Amicus in Pompe disease for their new combination treatment. The approval deadlines for the two components of the combo therapy have been set at May and July 2022.

ProQR Therapeutics (+24%)

In September ProQR Therapeutics announced an important milestone. The company signed a global licensing and research collaboration with top-15 pharma company Eli Lilly, to discover, develop and commercialize new medicines for diseases affecting the liver and nervous system. The deal is exploiting ProQR's novel technology called Axiomer®, a platform that enables precise and specific RNA editing to address the thousands of mutations that cause human diseases. This approach is particularly attractive not only due to its precision, but also due to the transience and reversibility of its effects. Since the RNA production in our cells is a constant and renewable process, and therefore effects of RNA editing stop upon treatment discontinuation.

Under the terms of the agreement, ProQR and Eli Lilly will collaborate to develop up to five medicines. ProQR received $ 50 million, consisting of $ 20 million as an upfront payment and $ 30 million in equity investment, with shares purchased by Lilly at a 10% premium compared to the closing share price of the day before the deal announcement. ProQR is eligible to receive up to $ 1,25 billion in development, regulatory and commercialization milestone payments, and royalties up to 15% on products sales.

We consider this deal announcement a substantial value creation event for multiple reasons. It further strengthens ProQR's financial position, which can boost the launch of the company's lead product, Sepofarsen. We see the deal as a testament to the potential and versatility of ProQR's technology platforms beyond the RNA antisense technology it is using to cure multiple eye diseases. According to the company the license deal with Eli Lilly only covers a small part of the disease areas the company can target with the Axiomer® technology, and it expects to do more deals with other companies in the future.

We look forward to two clinical trial read-outs for ProQR in eye diseases in 2021's fourth quarter.

Merck & Co. (-3%)

The third quarter was rich in news for Merck. The company made an offer to buy Acceleron Pharma on the last day of the quarter for the amount of $ 11,5 billion. The main reason to acquire Acceleron is to broaden Merck's cardiovascular franchise with a most likely first-in-class product for the treatment of pulmonary arterial hypertension called Sotatercept. A second important asset of Acceleron is Reblozyl, a first-in-class fusion protein approved to treat anemia. The company furthermore delivered great clinical trial results for cancer medicine Keytruda in several different cancer types and got this product approved in several other cancer types form the US to China.

Other important news came from the product Lynparza, that showed positive results from a clinical study in men with prostate cancer. Globally prostate cancer is the second most common cancer in men, with 1,4 million men being diagnosed with the disease in 2020.

Last Friday Merck & Co announced the results of a study in adults with mild-to-moderate Covid-19 that were at risk but non-hospitalised. The product, an easy to use pill, showed to decrease the risk of hospitalization or death by 50%. From the 775 patients, that were divided over the product or a placebo, none of those receiving the medicine died.

Zai Lab (-40%)

The third quarter was a turbulent period for Zai Lab. Even though Zai Lab closed another collaboration with Schrodinger (a recognized leader in physics-based computational medicine discovery) and expects to close more deals before year end, Zai Lab has experienced a continued share price decrease based on fears that recent government regulations would also affect healthcare companies.

Late September, Zai Lab hosted an R&D Day which highlighted its significant portfolio of in-licensed Western medicines and its growing internal and wholly owned product pipeline. Many value inflection milestones are expected in the next 18 months, starting with a major clinical trial readout in Q4 2021 from partner Deciphera in the treatment of gastric cancer which should more than double the commercial potential of the medicine called ripretinib (already approved for Zai Lab in China for another patient subset).

Zai Lab remains a very attractive company with many near term catalysts, as well as a very strong cash balance ($1,8 Billion) which it should leverage soon to broaden its portfolio of best in class medicines.

Oxford Biomedica (+19%)

In late September Oxford Biomedica announced that the largest vaccine manufacturer in the world, the Serum institute of India, had made a £50 million direct investment in the company. The money will be used to continue expanding the Oxbox gene therapy and vaccine manufacturing facility, with half of the 7,800 m2 still to be equipped and an increase in headcount of 120 people+ to operate the expanded facility. This should increase manufacturing capabilities as well as enable new partnerships which should drive future revenues upwards.

Recent discussions with management have confirmed that Oxford Biomedica will now expand in other key areas of gene therapy production for which there is an increasingly high need. This strategic expansion will allow Oxford Biomedica to capture a bigger portion of the global shift towards vector-based therapies to produce vaccines, gene therapies and RNA therapies. The company already produces such products for AstraZeneca, Novartis and others.

2022 will be a key year for Oxford Biomedica, as many collaborations will move forward and reach key development milestones. Oxford Biomedica's growing manufacturing power and solid balance sheet should allow for continued expansion of business.

Oxford Biomedica closed the first half of 2021 with revenue of £81.1million, which is £6 million short of total revenue for 2020. We expect 2021 revenue to almost double from 2020 levels.

Outlook

The remainder of the year is going to be full of news with several product approval deadlines by the EMA and FDA as well as read-outs of final (phase 3) clinical studies upon which companies can get new products approved. Based on such news and the high undervaluation of our portfolio of companies, the fund performance should improve.

Semi-Annual Meeting

With the removal of most COVID restrictions we are on track organizing our semi-annual meeting on the 3rd of November starting at 14:30 at the Hilton Amsterdam Apollolaan. Other than getting an update from our end, also a CEO of one of our portfolio companies will present.
The hotel is obliged to check all participant's corona check QR code upon entry so please bear this in mind. A more detailed agenda will be sent separately closer to the event.

Best regards on behalf of the Aescap team,

Patrick J. H. Krol
Portfolio Manager Aescap Life Sciences

About Aescap Life Sciences

Aescap Life Sciences is an open-end fund investing in public biotech companies that develop and market next generation medical treatments. Within its focused portfolio of around 20 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 per 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)

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 Aescap Life Sciences 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 Aescap Life Sciences distributed in or from Switzerland is the registered office of the Representative.

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