October 2021

Bloomberg reports Biotech has 46% undervaluation compared to S&P 500

A report by Bloomberg was published indicating that the biotech market is trading at 46% undervaluation versus the S&P500 on P/E ratios basis, which might help you better understand why the performance of the fund and the biotech sector are lagging behind the general market lately. With an **upside of 86%** of the biotech market to get to the valuation of the general market, an inflow of smart money into the biotech sector can't take long.

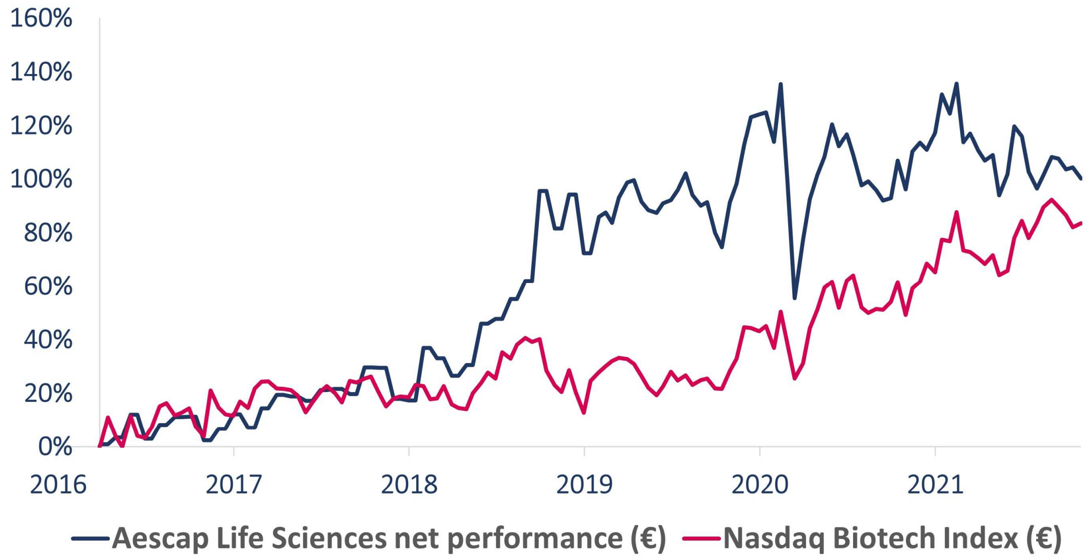
Additionally, as this relates to the general market, our concentrated portfolio of high quality and high-growth companies currently shows a potential upside of 103%. In the longer term there is always a nearly 100% correlation between share price and earnings growth. The question is not **if** this happens, but **when**. It primarily requires patience and buy & sell discipline on top of our daily focus and due diligence.

We will elaborate more on the opportunity of the biotech sector and of our fund in the upcoming Semi-Annual meeting of today, so for those who did not subscribe yet please do so.

Net Performance **(since inception at March 28, 2016)**

Unit Value per October 31, 2021:
€ 2.002,1577

Since Inception	2021	1 month	1 year	3 years	5 years
+ 100,2%	- 7,9%	- 1,7%	+ 2,0%	+ 10,3%	+ 95,5%



Divestments

The fund divested two portfolio companies over the month. The first one was Alnylam which due to a good share price increase, was replaced by two other high-growth companies that have a higher upside potential.

We also sold the majority of our shares in Oxford Biomedica after an almost 100% share price increase since we invested last year. The decision was taken given we expect the revenues of the company to go down (temporarily) over 2022.

Future Earning Power of Portfolio Increasing Daily

The portfolio has consistently been creating a lot of additional future earning power over the year, but share prices have not yet appreciated accordingly. This is nothing to worry about and has been seen in our fund several times in the past, as we will show in our semi-annual meeting tomorrow, and is always followed by a good increase in the NAV of the fund.

Also, for the remainder of the year we expect several important milestones to be achieved by several portfolio companies. Although our patience has been put to the test, we know patience, and corresponding discipline, are key to get to a superior performance longer-term. A good example of this came in on Monday when J&J announced positive clinical trial data in the treatment of hepatitis B with a medicine they in-licensed from our portfolio company Arrowhead Pharmaceuticals. As a result of this and other news our NAV went up 4% since the start of November.

Portfolio Updates

Several portfolio companies came in with news which will be discussed in our quarterly newsletter, but three news items stood out all coming from Merck&Co.

The company announced the planned acquisition of Acceleron for $ 11,5 billion and the transaction was approved by Acceleron's management and board of directors. We like this deal, because the valuation is fair, and it fits nicely within their existing cardiovascular franchise. It also shows Merck knows how to make good use of the $ 9 billion it has in cash with an expected profit of around $ 12 billion for 2021.

Sales of the largest of Merck's 80 marketed medicines, called Keytruda, went up 22% in Q3 versus Q3 2020, reaching $ 12,6 billion for 2021 so far.

Clinical trial data were presented for a pill to treat people infected by Covid-19 that shows a 50% decrease in death as well as hospitalization. Approval of this product is expected shortly, and the US government has already put in an initial order for $ 1.2 billion, for 1.7 million treatments. Merck announced they will have 10 million treatments manufactured by the end of 2021.

We are looking forward to reporting to you next month.

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)

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