



**ANNUAL REPORT**  
*( FINANCIAL STATEMENTS )*

**AS PER DECEMBER 31, 2022**

**Aescap Life Sciences****Contents**

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***Legal Owner*****Stichting Aescap Life Sciences**

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## Aescap Life Sciences

### Overview (Key figures) Aescap Life Sciences

	31-12-22	31-12-21	31-12-20	31-12-19	31-12-18
<b>Number of Outstanding Units</b>					
Aescap Life Sciences Fund management	11,010.1807	11,318.1114	11,277.4464	9,685.2839	9,137.7023
Aescap Life Sciences Investors	56,378.5491	62,322.8220	55,383.1535	56,584.4102	36,133.6551
Aescap Life Sciences Investors 011117	-	-	-	-	-
Aescap Life Sciences Investors 011217	-	-	-	-	-
Aescap Life Sciences Investors 011118	-	-	-	-	658.0455
Aescap Life Sciences Investors 011218	-	-	-	-	2,001.6451
Aescap Life Sciences Investors 010320	-	-	1,326.3169	-	-
Aescap Life Sciences Investors 010420	-	-	896.4172	-	-
Aescap Life Sciences Investors 010520	-	-	442.2221	-	-
Aescap Life Sciences Investors 010620	-	-	778.9980	-	-
Aescap Life Sciences Investors 010720	-	-	415.1420	-	-
Aescap Life Sciences Investors 010820	-	-	866.6663	-	-
Aescap Life Sciences Investors 010920	-	-	1,736.1909	-	-
Aescap Life Sciences Investors 01020	-	-	428.6512	-	-
Aescap Life Sciences Investors 011120	-	-	127.4024	-	-
Aescap Life Sciences Investors 011220	-	-	584.6191	-	-
Aescap Life Sciences Investors 150320	-	-	1,284.8219	-	-
Aescap Life Sciences Investors 150420	-	-	2,148.8197	-	-
Aescap Life Sciences Investors 150520	-	-	119.9755	-	-
Aescap Life Sciences Investors 150620	-	-	518.2202	-	-
Aescap Life Sciences Investors 150720	-	-	1,987.2639	-	-
Aescap Life Sciences Investors 150820	-	-	197.8006	-	-
Aescap Life Sciences Investors 150920	-	-	311.2360	-	-
Aescap Life Sciences Investors 151020	-	-	488.6568	-	-
Aescap Life Sciences Investors 151120	-	-	163.3502	-	-
Aescap Life Sciences Investors 151220	-	-	42.6949	-	-
Aescap Life Sciences Investors 10M+	-	6,025.8724	-	-	6,876.0000
Aescap Life Sciences Investors 20M+	-	-	8,972.1209	10,760.8981	-
Aescap Life Sciences Investors 20M+ 150920	-	-	2,561.0991	-	-
Aescap Life Sciences Investors 11021	1,185.7538	1,185.7538	-	-	-
Aescap Life Sciences Investors 11121	5.9935	25.9719	-	-	-
Aescap Life Sciences Investors 11221	108.6014	108.6014	-	-	-
Aescap Life Sciences Investors 1321	8.8926	11.9348	-	-	-
Aescap Life Sciences Investors 1421	1,169.4636	1,406.8225	-	-	-
Aescap Life Sciences Investors 151021	107.6480	107.6480	-	-	-
Aescap Life Sciences Investors 151121	61.8586	61.8586	-	-	-
Aescap Life Sciences Investors 151221	13.4791	13.4791	-	-	-
Aescap Life Sciences Investors 1521	457.8220	457.8220	-	-	-
Aescap Life Sciences Investors 15321	1,188.2366	1,188.2366	-	-	-
Aescap Life Sciences Investors 15421	315.4312	369.5791	-	-	-
Aescap Life Sciences Investors 15521	198.7800	206.5161	-	-	-
Aescap Life Sciences Investors 15621	434.6017	434.6017	-	-	-
Aescap Life Sciences Investors 15721	93.7544	97.7020	-	-	-
Aescap Life Sciences Investors 15821	62.5748	62.5748	-	-	-
Aescap Life Sciences Investors 15921	108.3651	108.3651	-	-	-
Aescap Life Sciences Investors 1621	9.9129	9.9129	-	-	-
Aescap Life Sciences Investors 1721	442.5674	442.5674	-	-	-
Aescap Life Sciences Investors 1821	46.8152	46.8152	-	-	-
Aescap Life Sciences Investors 1921	104.4529	105.4134	-	-	-
Aescap Life Sciences Investors 010222	217.5922	-	-	-	-
Aescap Life Sciences Investors 010322	7.1820	-	-	-	-
Aescap Life Sciences Investors 010422	790.8768	-	-	-	-
Aescap Life Sciences Investors 010622	114.9535	-	-	-	-
Aescap Life Sciences Investors 010822	74.4606	-	-	-	-
Aescap Life Sciences Investors 010922	28.1365	-	-	-	-
Aescap Life Sciences Investors 011222	65.8453	-	-	-	-
Aescap Life Sciences Investors 150122	293.2368	-	-	-	-
Aescap Life Sciences Investors 150222	1,103.1817	-	-	-	-
Aescap Life Sciences Investors 150322	7.7025	-	-	-	-
Aescap Life Sciences Investors 150522	74.8268	-	-	-	-
Aescap Life Sciences Investors 150822	37.7566	-	-	-	-
Aescap Life Sciences Investors 150922	72.1177	-	-	-	-
Aescap Life Sciences Investors 151122	6.8135	-	-	-	-
Aescap Life Sciences Investors 151222	329.0360	-	-	-	-

## Aescap Life Sciences

## Overview (Key figures) Aescap Life Sciences – Continued

	31-12-22	31-12-21	31-12-20	31-12-19	31-12-18
<b>Net Asset Value per Unit (€)</b>					
Aescap Life Sciences Fund management	2,157.2502	2,481.8128	2,859.8896	2,871.2641	2,104.7655
Aescap Life Sciences Investors	1,591.0018	1,858.0425	2,173.9341	2,242.1433	1,725.0062
Aescap Life Sciences Investors 011117	-	-	-	-	-
Aescap Life Sciences Investors 011217	-	-	-	-	-
Aescap Life Sciences Investors 011118	-	-	-	-	1,702.5930
Aescap Life Sciences Investors 011218	-	-	-	-	1,725.0062
Aescap Life Sciences Investors 010320	-	-	2,130.0782	-	-
Aescap Life Sciences Investors 010420	-	-	2,083.3346	-	-
Aescap Life Sciences Investors 010520	-	-	2,135.7602	-	-
Aescap Life Sciences Investors 010620	-	-	2,173.9342	-	-
Aescap Life Sciences Investors 010720	-	-	2,172.6857	-	-
Aescap Life Sciences Investors 010820	-	-	2,133.4324	-	-
Aescap Life Sciences Investors 010920	-	-	2,129.6367	-	-
Aescap Life Sciences Investors 01020	-	-	2,123.5867	-	-
Aescap Life Sciences Investors 011120	-	-	2,130.7462	-	-
Aescap Life Sciences Investors 011220	-	-	2,166.2682	-	-
Aescap Life Sciences Investors 150320	-	-	2,031.9849	-	-
Aescap Life Sciences Investors 150420	-	-	2,116.6085	-	-
Aescap Life Sciences Investors 150520	-	-	2,149.9855	-	-
Aescap Life Sciences Investors 150620	-	-	2,163.6563	-	-
Aescap Life Sciences Investors 150720	-	-	2,157.1159	-	-
Aescap Life Sciences Investors 150820	-	-	2,136.6274	-	-
Aescap Life Sciences Investors 150920	-	-	2,121.5017	-	-
Aescap Life Sciences Investors 151020	-	-	2,152.6574	-	-
Aescap Life Sciences Investors 151120	-	-	2,159.4978	-	-
Aescap Life Sciences Investors 151220	-	-	2,160.7431	-	-
Aescap Life Sciences Investors 10M+	-	1,894.2517	-	-	1,733.2246
Aescap Life Sciences Investors 20M+	-	-	2,212.7206	2,269.9959	-
Aescap Life Sciences Investors 20M+ 150920	-	-	2,169.6584	-	-
Aescap Life Sciences Investors 11021	1,590.0530	1,856.9345	-	-	-
Aescap Life Sciences Investors 11121	1,591.0019	1,858.0427	-	-	-
Aescap Life Sciences Investors 11221	1,588.1853	1,854.7533	-	-	-
Aescap Life Sciences Investors 1321	1,582.0109	1,847.5408	-	-	-
Aescap Life Sciences Investors 1421	1,577.7019	1,842.5103	-	-	-
Aescap Life Sciences Investors 151021	1,591.0017	1,858.0426	-	-	-
Aescap Life Sciences Investors 151121	1,591.0021	1,858.0427	-	-	-
Aescap Life Sciences Investors 151221	1,587.2558	1,853.6690	-	-	-
Aescap Life Sciences Investors 1521	1,575.2016	1,839.5903	-	-	-
Aescap Life Sciences Investors 15321	1,586.9967	1,853.3652	-	-	-
Aescap Life Sciences Investors 15421	1,572.0606	1,835.9222	-	-	-
Aescap Life Sciences Investors 15521	1,552.6346	1,813.2354	-	-	-
Aescap Life Sciences Investors 15621	1,591.0018	1,858.0425	-	-	-
Aescap Life Sciences Investors 15721	1,582.4894	1,848.1011	-	-	-
Aescap Life Sciences Investors 15821	1,580.5048	1,845.7839	-	-	-
Aescap Life Sciences Investors 15921	1,591.0018	1,858.0424	-	-	-
Aescap Life Sciences Investors 1621	1,564.8297	1,827.4753	-	-	-
Aescap Life Sciences Investors 1721	1,591.0018	1,858.0426	-	-	-
Aescap Life Sciences Investors 1821	1,572.9052	1,836.9083	-	-	-
Aescap Life Sciences Investors 1921	1,591.0019	1,858.0425	-	-	-
Aescap Life Sciences Investors 010222	1,591.0019	-	-	-	-
Aescap Life Sciences Investors 010322	1,549.9471	-	-	-	-
Aescap Life Sciences Investors 010422	1,559.9081	-	-	-	-
Aescap Life Sciences Investors 010622	1,527.8561	-	-	-	-
Aescap Life Sciences Investors 010822	1,576.1865	-	-	-	-
Aescap Life Sciences Investors 010922	1,567.4295	-	-	-	-
Aescap Life Sciences Investors 011222	1,576.5437	-	-	-	-
Aescap Life Sciences Investors 150122	1,591.0018	-	-	-	-
Aescap Life Sciences Investors 150222	1,549.9921	-	-	-	-
Aescap Life Sciences Investors 150322	1,529.5359	-	-	-	-
Aescap Life Sciences Investors 150522	1,537.7124	-	-	-	-
Aescap Life Sciences Investors 150822	1,585.3297	-	-	-	-
Aescap Life Sciences Investors 150922	1,575.0297	-	-	-	-
Aescap Life Sciences Investors 151122	1,565.9455	-	-	-	-
Aescap Life Sciences Investors 151222	1,573.0723	-	-	-	-
<b>Total Net Asset Value ( x € 1,000)</b>	<b>128,186,651</b>	<b>167,232,655</b>	<b>209,693,074</b>	<b>179,106,560</b>	<b>98,055,693</b>

The abovementioned Investor Unit Classes have equal conditions, the only differences being applied are the fees.

**Aescap Life Sciences****Overview (Key figures) Aescap Life Sciences – Continued**

	31-12-22	31-12-21	31-12-20	31-12-19	31-12-18
<b>Maximum / Minimum Value per Unit (€) during the year</b>					
Max Aescap Life Sciences Fund Man	2,278.8449	3,106.7387	3,057.1477	2,871.2641	2,377.3770
Min Aescap Life Sciences Fund Man	1,669.1820	2,450.8903	2,020.9139	2,104.7655	1,389.0892
Max Aescap Life Sciences Investors	1,705.1063	2,356.7014	2,354.6632	2,242.1433	1,955.8161
Min Aescap Life Sciences Investors	1,241.2079	1,836.1747	1,554.6902	1,725.0062	1,266.3753
Max Aescap Life Sciences Investors 20M+	-	-	2,390.3729 (4)	2,269.9959	-
Min Aescap Life Sciences Investors 20M+	-	-	1,578.6433 (4)	1,758.6189	-
<b>Result per Unit (€) (1)</b>					
Income from Investments	6.79	3.17	0.73	0.86	0.57
Capital Gains/Losses	(272.21)	(317.92)	37.96	567.59	579.41
Expenses	(23.30)	(39.06)	(55.88)	(86.48)	(131.71)
<b>Total Investment Result</b>	<b>(288.72)</b>	<b>(353.81)</b>	<b>(17.19)</b>	<b>481.97</b>	<b>448.27</b>
<b>Return on Investment per Unit (%)</b>					
Aescap Life Sciences Fund management	(13.08%)	(13.22%)	(0.40%)	36.42%	63.99%
Aescap Life Sciences Investors	(14.37%)	(14.53%)	(3.04%)	29.98%	46.88%
Aescap Life Sciences Investors 10M+	-	(14.39%)	-	-	-
Aescap Life Sciences Investors 20M+	-	-	(2.52%) (4)	11.60%	-
<b>Ongoing Cost Figure (OCF) – previously Total Expense Ratio (TER) (2)</b>					
OCF (Performance Fee excluded) (%)	1.68%	1.63%	1.63%	1.64%	1.61%
OCF (Performance Fee included) (%)	1.68%	1.65%	3.02%	5.70%	13.21%

(1) based on the total number of outstanding Units as per year end.

(2) the OCF figures are valid for the Aescap Life Sciences Investors Unit Class (Lead Series), whereas the fund management shares do not have management fee charged.

(3) figures are valid for the period mid July 2019 – December 2019.

The 2017 ongoing cost figure equals on an annual basis 1.77% and has been calculated by dividing the reporting period figure by 21 and having multiplied this figure by 12.

## Aescap Life Sciences

### Profile & Structure

#### Start of the Fund

Aescap Life Sciences ("the Fund") started activities as per March 28, 2016. The Fund is established as of the first issue of a Unit and shall continue to exist for an indeterminate period of time. The Fund shall terminate upon the occurrence of any of the events set forth in article 19 of the Prospectus.

#### Legal Form

The Fund is a fund for joint account (in Dutch: een fonds voor gemene rekening). It does not have a legal personality. It is formed by and comprises a contractual arrangement governed by the terms of this Prospectus between the Fund Manager, the Legal Owner and each Unit Holder. Under this arrangement the Fund Manager is mandated to invest the contributions of the Unit Holders of the Fund for their collective risk and account in securities, which are held by the Legal Owner on behalf of the Unit Holders, in accordance with the Prospectus for the purpose of enabling the Unit Holders to share in the revenue from the investments in securities. The Unit Holders are proportionally matched with the number of Units owned, and they are jointly entitled to the Fund Assets. The contractual agreement between the Fund Manager, the Legal Owner and each of the Unit Holders does not constitute a partnership or limited partnership and does not create any other agreement between the Unit Holders. The obligation of a Unit Holder to pay the subscription price for a Unit is only an obligation towards the Fund represented by the Fund Manager and the Legal Owner. The Units only constitute rights and obligations of the Unit Holders with respect to the Fund Manager and the Legal Owner and not to other Unit Holders.

#### Limited Transferability

The Fund has a private character, i.e. Units may only be transferred to the Fund upon a redemption. However, Units may be transferred to persons that are next of kin or direct in law of a Unit Holder. Units may not be pledged or otherwise encumbered.

#### Open End

Except in certain exceptional circumstances, the Fund is obliged to issue or to redeem Units on a Transaction Day at their Net Asset Value, minus any subscription or redemption fee.

#### Not listed

The Fund is not listed on any stock exchange.

#### Net Asset Value

The Net Asset Value is calculated at least twice a month by the Administrator, as is described in Section 13 of the Prospectus ("Determination of Net Asset Value").

#### Minimum subscription amount

The minimum amount for participation is € 500,000 although the Fund Manager at its discretion can make an exception and lower the minimum to € 101,000 (including the 1% subscription fee). For the clients of wealth managers or private banks who have an executed discretionary portfolio management agreement or investment advisory services agreement with the wealth manager, family office or private bank, subscription amounts below EUR 101,000 are accepted as the investment decision to invest in the Aescap Life Sciences is taken by or advised by the wealth manager, family office or private bank. Additionally, for family members of existing Unit Holders (being defined as first and second degree relatives), subscription amounts below EUR 101,000 can be accepted as well. Here the subscription will be linked to the size of the current investment of the existing Unit Holder. At the time of inception of the Fund Units with a Net Asset Value of € 1,000 have been issued as part of the Initial Series.

#### Request for issue or redemption

Requests for the issue or redemption of Units may be made to the Administrator. The Administrator will inform the Fund Manager. The Fund Manager is not obliged to honor a request for an issue or redemption of Units. (See Section 14, "Subscription", and Section 15, "Redemption".)

#### Tax Position of Fund

Due to the limited transferability of the Units of the Fund, the Fund qualifies as a tax transparent fund for joint account for Dutch income tax purposes. Consequently, the Fund is not subject to Dutch (corporate) income tax.

#### Distribution policy

The dividends and interest received by the Fund, as well as possible capital gains, will not be distributed but will be re-invested, unless distribution would be deemed appropriate by the Fund Manager in connection with the regulatory status of the Fund Manager. Any distribution will take place on a pro rata basis.

#### Regulatory considerations

##### License

The Fund Manager is in possession of an AFM license as referred to in article 2:65(a) FSA, and as a consequence (and subject to compliance with the other requirements applicable pursuant to the FSA) may offer the Fund to professional and non-professional investors within the Netherlands.

The AFM license of the Fund Manager has been issued prior to the implementation of the AIFM Directive in the Netherlands and was automatically converted into an AIFM Directive license by the AFM on 22 July 2014, in accordance with the Netherlands AIFM Directive implementation schedule.

##### Supervision by AFM and DNB

The Fund Manager operates under the supervision of the AFM and DNB as foreseen in the applicable provisions of the FSA. For the sake of an adequate functioning of the financial markets and the position of investors, investment funds have to comply with demands with regard to professionalism and reliability of its managers, financial safeguards, (operational) management and the providing of information to Unit Holders, the public and the supervisors.

For "regulatory changes" we refer to section 21 of the Prospectus.

## Aescap Life Sciences

### Investment Proposition

#### The Market Opportunity

Aescap Life Sciences (‘the Fund’) invests in the shares of publicly listed biotech / life sciences companies. It invests in highly innovative companies that develop and market new medicines and to a lesser extent diagnostics and/or medical devices.

The life sciences market is a large and fast-growing market where breakthrough innovations can be exploited in a global and profitable manner.

The substantial growth of the life sciences market is driven by:

- a) A longer life expectancy (especially in the emerging markets) as well as an ageing population which are driving demand for improved and cost-effective medicine, diagnostics and medical devices;
- b) A high unmet medical need for diseases such as Alzheimer, Arthritis, Diabetes, MS, Obesity, Oncology, Parkinson and many other such as infectious diseases;
- c) Approximately 6,000 rare diseases with no treatment available at all today.

The rapidly growing healthcare costs, almost everywhere in the world, are increasing the demand for biotech / life sciences innovations. A good example of such an approach is the concept of precision medicine. The concept of precision medicine is based on the fact that people respond differently to the same treatment. Based on gene profiling and biomarker data a patient can be given the right treatment from the start, instead of following a trial and error approach as still often is the case in the treatment of cancer. The development of precision medicine has only just started.

The sector the Fund is active in is known for its attractive premiums in case of takeovers. The large cash buffers of the bigger pharma / biotech companies create the potential for many future acquisitions of smaller (listed) biotech companies.

The number of publicly listed biotech / life sciences companies the Fund can select from is over 750 in the EU and the US together.

#### Investment Policy

The Fund aims to gain value by investing in publicly traded shares of biopharmaceutical companies and potentially also diagnostics and/or medical device companies. The Fund may also invest in warrants of such companies. Often these warrants are received as part of an equity issue by a company. It will typically invest in companies with the potential to (more than) double their share price over a period of maximum 4–5 years. Given the particular innovation power in biotech in Western Europe and North America most investments will be made in these geographical areas.

The Fund has a focused portfolio, investing in approximately 20 companies. Within this focus it will ensure that the portfolio is diversified over different diseases, development phases and geographical areas.

#### Investment Objective

The Fund’s objective is to make an average minimum annual net return (after deduction of costs) of 20%+ over the mid-term (4–5 years). In addition to its financial objective, the Fund also promotes a social characteristic. Please see the Fund Manager report for additional information.

#### Investment Discipline and Criteria

The Fund aims to select those publicly listed biotech / life sciences companies which are undervalued based on their growth potential. The value creation in which it aims to invest is typically based on:

- a significant potential growth in revenues/profit;
- the achievement of clinical study milestones; and/or
- the closing of a partnership or similar deal with a larger biotech / life sciences company in the field, one that most likely already has a sales force active in the disease area the licensing deal is representing.

The companies the Fund will invest in are typically acquisition targets for biopharmaceutical multinationals, which are known for their constant hunger to fill their pipelines.

Investment decisions are based on fundamental company analyses of the company’s technology and/or products, product development risks, market entrance barriers, competition, financials and the expected market development. But maybe even more important by making serious efforts to understand the strengths and weaknesses of management and their view on the future of the company and the markets they serve.

The Fund may, if the Fund Manager has a good reason to do so, hold a substantial percentage of the Fund in cash. It can make limited use (no more than 10% of the Net Asset Value) of borrowed money:

- to bridge temporary liquidity shortages;
- to make use of one or more investment opportunities in anticipation of new subscription orders coming into the Fund from Unit Holders.

For the most important investment criteria we refer to section 4.5 of the Prospectus.



## Aescap Life Sciences

### Risk control

The portfolio of companies is expected to consist of a limited number of approximately 20 companies. It is this 'cherry picking' from a basket of over 750 listed companies in this sector which should drive the outperformance of the different biotech indexes / trackers. In order to reduce the risks of investing in this sector the Fund will diversify its portfolio over several disease areas, different phases of product development as well as geographical areas.

### Risk Profile

Investing in biotech companies involves a high degree of risk and prices of the securities of such companies, especially of companies with a small market cap, may be volatile. Furthermore, there is concentration risk because of the biotech focus and a relatively small portfolio of approximately 20 companies. Investments are also often made in a foreign currency like the US dollar and foreign currency exposures are not hedged back to the Euro, the base currency of the Fund. Please see Section 5 of the Prospectus for an overview of all risk factors in relation to (an investment in) the Fund.

For investment criteria and investment restrictions as well as the Fund characteristics and investor profile more in detail we refer to section 4 of the Prospectus.

### Most important risks and uncertainties

A Unit Holder cannot lose more than the amount invested in the Fund by that Unit Holder.

The most important risks, which must be considered that are common with an investment fund of this nature, involved in investing in the Fund include among others :

#### **Volatility risk**

There are financial risks involved with investing in Units of the Fund. Unit Holders have to realize that the stock market value of underlying investments of the Fund may significantly fluctuate, especially in the biotech / life sciences market where governmental regulations and/or technology risks can have a significant impact on a company's value. As a result of fluctuations of the biotech / life sciences stock markets, the Net Asset Value of the Fund may also fluctuate, which means that it is possible that Unit Holders, when redeeming, may not receive the full amount invested in the Fund.

#### **Market risk**

Markets may rise and fall and the prices of financial instruments and other assets on the financial markets in general, and more specifically the prices of assets of the nature and type the Fund may invest in and hold, can rise and fall. A careful selection and spread of investments does not provide any guarantee of positive results. In the biotech / life sciences market, governmental measures or involvement related to medicine approvals, pricing intervention, other governmental related intervention as well as technology risks can have a large impact on the value of one single company or the market as a whole. There may be various reasons why markets fall like recessions caused by a change in the economic business cycle or a pandemic.

#### **Currency risk**

The Fund does not hedge currency positions. Investments other than in Euros can therefore cause fluctuations, positive as well as negative, in the Net Asset Value of the Fund.

#### **Risk that investments do not develop as expected**

The Fund aims for an average yearly mid-term minimum net return of 20% per annum, after deduction of all costs. There is however no guarantee that this return will be achieved. Moreover, no guarantee can be given that the analyses of the Fund Manager concerning the expected development of the portfolio of companies are correct.

#### **Risks related to the sector the Fund invests in**

The sector the Fund is investing in comes with certain specific risks such as:

- Potential weakening of the patent protection environment in one or more jurisdictions;
- Financing risk, given the fact that many biotech companies are loss making and therefore are in need of further financing to develop their products;
- Major technology breakthroughs outside of the Fund's portfolio;
- Legal or regulatory developments influencing the life sciences industry and/or the investments made by the Fund;
- Changes in projections by securities analysts of a company;
- Biotech stock market fluctuations;

#### **Risks of a general economic and political nature**

Investments made by the Fund are subject to general economic risks, for instance, reduced economic activity, rising interest rates, inflation and rising prices of commodities. The value of the Fund can also be influenced by political developments, wars and other global trends and events.

## Aescap Life Sciences

### **Concentration risk**

Because of the limitation of investments to approximately 20 different companies, there may be stronger fluctuations in the Net Asset Value of the Fund in case one or more particular investments by the Fund would decrease in value, than it would normally be the case if the investments were more spread. As a result of the strategy of the Fund, the returns of the Fund can deviate significantly from the returns of a world equity index. As a consequence thereof, specific risks arise that are reflected in differences in performance between the Fund and the global equity indices, positively and negatively.

### **Systemic risk**

Certain events in the world or certain activities from one or more important parties in the financial markets can lead to a disturbance in the normal functioning of the financial markets. As a result of this, substantial losses may arise, caused by liquidity and counterparty risks following from such a disturbance.

### **Cyber Security risk**

The Unit Holders are exposed to the risk of a cyber attack or data breach at the level of the Fund Manager or at the level of the service providers. The Fund Manager and service providers have implemented measures to mitigate this risk as much as possible.

### **Inflation risk**

There may be a risk that the purchasing power of the amount invested by the Unit Holder in the Fund decreases as a result of inflation.

### **Sustainability risk**

Sustainability risk in the context of the Fund is defined as the risk of a decrease in the value of an investment of the Fund due to an environmental, social or governance (ESG) related event. Such an event may have a direct negative impact on the financials of the investment or a longer-term impact on the operations or earnings capacity of the investment. The Fund has identified multiple sustainability risks which may impact the value of its investments to a varying degree.

### **Risk of limited redemption**

Units can only be transferred to the Fund (except for transfers to persons that are next of kin or direct in law of a Unit Holder). The Fund is in principle obliged to purchase Units twice a month, on a Transaction Day. Under certain circumstances the Fund Manager is authorized to delay redemption or honor redemption requests only partially (see Section 15 of the Prospectus: "Redemption"). In those cases the Unit Holder is not able to redeem, or redeem only partially, its Units. This may (also) have a negative effect on the price of the Units.

### **Indemnification risk**

The Fund Manager and the Legal Owner are entitled to be indemnified out of the Fund Assets against costs, losses and expenses which they may incur or become liable in connection with the execution of their duties. In addition, the Depositary, the Administrator and other service providers also are entitled to an indemnity under the terms of their respective agreements for the services they provide. These obligations could require substantial indemnification payments out of the Fund Assets, provided however that the Depositary shall not be so indemnified with respect to any matter resulting from its negligent or intentional failure to properly fulfil its obligations in accordance with article 21(12) of the AIFM Directive, and no other person shall be so indemnified with respect to any matter resulting from its attributable breach (toerekenbare tekortkoming in de nakoming).

### **Counterparty risk**

The Fund will be subject to the risk of the inability or refusal of payment or clearing institutions, principals or other service providers or other counterparties to its transactions, to perform or to perform in time under such services or transactions. Any such failure, refusal or delay, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses. The Fund Manager will seek to mitigate these risks by reviewing the creditworthiness and reliability of all service providers and counterparties and only entering into transactions with those parties that the Fund believes to be creditworthy and reliable.

### **Liquidity risk**

If, due to unforeseen circumstances, normal liquidity conditions do not apply, the Fund could face liquidity risk. This could imply that financial instruments cannot be sold or bought under normal market conditions, leading to significant direct and indirect transaction costs. It may also mean that positions cannot be sold at the anticipated price as established and deemed to be the fair value at the date of deciding to liquidate/sell those positions. This may have a negative effect on the Net Asset Value of a Unit.

### **Settlement risk**

This is the risk that settlement through a payment system does not take place as expected, because the payment or delivery of the financial instruments by a counter party does not take place, or does not take place on time, or is not as expected.

### **Risk of change in (fiscal) laws**

This is the risk that fiscal legislation changes or that new legislation comes into force that negatively affects the fiscal treatment of Fund or its Unit Holders.

### **Key man risk**

Patrick Krol has been assigned by the Fund Manager as Portfolio Manager of the Fund. Unit Holders are exposed to the risk that Patrick Krol ceases to be involved with the Fund Manager.

### **Regulatory supervision and compliance risk**

The regulatory rules keep evolving and changes therein may adversely affect the functioning of the Fund and/or the Fund Manager's ability to pursue the investment policy for the Fund.

Unclear rules and regulations and conflicting advice may result in a breach of rules and regulations applicable to the Fund, Resulting fines and other sanctions and possible damage to the reputation of the Fund, the Fund Manager and other connected persons may result in a negative impact on the Net Asset Value of the Fund and the Units.

## Aescap Life Sciences

### **Operational risk**

There is a risk that the internal processes, people and systems of the Fund Manager fail, which may have a negative effect on the business continuity of the Fund Manager and its ability to pursue the investment policy.

### **Legal Owner**

The Legal Owner of the Fund is Stichting Aescap Life Sciences, having its office at Hoogoorddreef 15, 1101 BA Amsterdam. The Legal Owner is a foundation established under the laws of The Netherlands on 24 February 2016 in Amsterdam, which is registered in the Trade Register at the Chamber of Commerce in Amsterdam under number 65423046. The Legal Owner's only statutory purpose is to act as Legal Owner of the Fund and to protect the interests of the Unit Holders. It will have access to all reports from the Administrator.

The most important task and power of the Legal Owner is to act as legal owner of the Fund Assets and incur and/or assume the Fund Obligations on behalf and for the account and risk of the Unit Holders.

### **Fund Manager**

The Fund will be managed by Privium Fund Management B.V. as Alternative Investment Fund Manager of the Fund. The Fund Manager is responsible for the entire management of the Fund in accordance with the provisions of the Fund Documents and applicable laws. The Fund Manager is also responsible for maintaining records and furnishing or causing to be furnished all required records or other information of the Fund to the extent such records, reports and other information are not maintained or furnished by the Administrator, the Legal Owner, the Depositary or other service providers.

Privium Fund Management B.V. is a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands having its official seat (zetel) in Amsterdam, the Netherlands and its principal offices at Symphony Towers 26/F, Gustav Mahlerplein 3, 1082 MS Amsterdam, the Netherlands. The Fund Manager is registered in the Dutch trade register (handelsregister) under file number 34268930.

The Fund Manager performs its services in accordance with the Prospectus. Pursuant to the Prospectus the Fund Manager has the full and exclusive power, discretion and authority to invest and manage the assets of the Fund.

The statutory management board (bestuur) of the Fund Manager consists of Mr C.H.A. Heijman, Mr M. Baak and R. J van Hoorn who are the (daily) policy makers of the Fund Manager.

The Fund Manager holds an AIFM license issued by the AFM within the meaning of article 2:65(a) FSA and is subject to conduct of business and prudential supervision by the AFM and DNB respectively.

The most important tasks and powers of the Fund Manager are the following:

- to determine and execute the investment policy of the Fund;
- to check the administration of the Fund executed by the Administrator;
- to see the Administrator determines the Net Asset Value for the Fund and for each Unit Class and Series correctly and on time;
- to ensure that the Fund complies with the relevant regulations and reporting obligations;
- to ensure that the Fund complies with the defined risk management framework as further described briefly below;
- generally to observe the interests of the Unit Holders in accordance with the Prospectus.

For details relating to delegation of Fund Manager's duties, resignation and removal of the Fund Manager, liability of the Fund Manager, Indemnification, Insurance as well as other Funds managed by the Fund Manager we refer to section 6 of the Prospectus.

### **The Portfolio Manager**

The portfolio of the Fund is managed by Mr. Patrick J.H. Krol who is supported by an investment team. Additionally, advisors and industry/medical experts may be used. The advisors and industry/medical experts will not provide any investment advice for which an investment advisory license is needed but may be asked to provide their knowledge on a certain disease, medicine, market segment, etc. The advisors or industry/medical experts will not make any investment decisions either.

#### Patrick Johan Hendrik Krol (1963). Founder and Portfolio Manager

Patrick Krol is a biotech investment and business development specialist. Patrick joined biotech venture capital fund Aescap 1 as an Investment Partner at its start in 2005 and in 2009 became the fund's Managing Partner. In 2015 he took over the Aescap name to launch Aescap Life Sciences, a fund for joint account investing in public biotech companies based on Patrick's successful track record as a private investor in public biotech. From 1995 to 2005, Patrick guided over 35 public pharma and biotech companies to successfully launch or grow their products. As a Founder and Managing Director at consultancy company Firm United Healthcare from 1997 to 2004, Patrick was responsible for growing the company to become a market leader. During this period, he also co-founded Interactive Healthcare and the Healthcare Management School. In 2004 he sold his share in all three companies to become a biotech investment professional. Since 2004 he has gained experience on board level in the life sciences sector as the chairman of the supervisory boards of i-Optics B.V. and to-BBB technologies B.V. and as a Non-Executive Director of Aquapharm Biodiscovery Ltd, EasyScan Holding BV, Cassini Holding BV, and Shire International Licensing BV (a subsidiary of top-20 biopharma company Shire Plc), and as a supervisory director of F-star GmbH, F-Star Alpha Ltd, F-Star Beta Ltd, F-Star Gamma Ltd, F-Star Delta Ltd and Orphazyme Aps. In 2003, he became a visiting teacher of the business school of the University of Wageningen teaching 'Strategy in the pharmaceutical Industry'. He published several articles on biopharma marketing and communications strategy and has been a speaker and moderator at life sciences seminars and congresses. Patrick studied physical therapy followed by business economics and later in his career concluded an M.B.A. in Executive Management and Consultancy at LMS.

## Aescap Life Sciences

### **Key Person**

Patrick Krol will be the Key Person of the Fund and a Key Person Event means the situation occurring when the Key Person ceases to be actively involved in the business and affairs of the Fund as a Portfolio Manager. The Fund Manager shall without delay give notice to the Investor Advisory Committee and the Unit Holders of the occurrence of a Key Persons Event. In case of a Key Person Event the Portfolio Advisors and Investor Advisory Committee, in consultation with the Fund Manager and the Legal Owner, will decide on how to continue with the Fund or potentially how to liquidate the portfolio of the Fund and put it to an end.

### **Administrator**

IQ EQ Financial Services B.V. established in Amsterdam, The Netherlands, has been appointed as the administrator.

The most important tasks of the Administrator, under responsibility of the Fund Manager, are:

- conducting the financial and investment administration of the Fund;
- calculating the Net Asset Value of the Fund and for each Unit Class and Series; and
- keeping the register of Unit Holders of the Fund.

### **Depository**

Darwin Depository Services B.V. established in Amsterdam, The Netherlands, has been appointed as the depository.

The most important tasks of the Depository are:

- safekeeping of financial instruments in which the Fund has invested;
- ensuring that the Fund Manager acts in accordance with the Investment Policy; and
- monitoring of cash flows in respect of the Fund and ensuring that issue and redemption of Units and determination of the Net Asset Value is performed correctly.

The actual safekeeping of the financial instruments in which the Fund has invested is delegated to the Custodian. The depository has assigned Saxo Bank A/S as Custodian.

### **Depository agreement**

The Fund Manager and Depository have concluded an agreement (the 'Depository Agreement') setting out the duties of the Depository and what the Fund Manager must do to enable the Depository to perform those duties duly.

### **Unit Holders**

The Unit Holders are jointly economically entitled (each proportionally, taking into account the Series they form part of, according to the number of Units owned) to the net assets of the Fund. The combined assets of the Unit Holders invested in the Fund are intended for collective investment and for their own account and risk. (See Section 12 of the Prospectus, "Unit Holders").

### **Contractual arrangement between Unit Holders, Fund Manager and Legal Owner**

The Fund being the contractual arrangement between Unit Holders, the Fund Manager and the Legal Owner is governed by the Prospectus.

## Aescap Life Sciences

### Management report

#### General

The Aescap Life Sciences fund outperformed the biotech market in 2022. During 2022 market sentiment was very weak due to the war in Ukraine, high inflation rates and the increase in interest rates as a result. Here the performance of the biotech market is measured by the performance of the SPDR S&P Biotech Index (in EUR). The Fund closed 2022 with a net performance of -14.4%, versus -21.2% (in EUR) for the SPDR S&P Biotech Index.

The decline of the S&P Biotech from its peak in early 2021 to late 2022 is 50%. However, fundamentals continue to be very strong.

#### Solid market fundamentals

Firstly, there is a solid foundation underpinning the sector due to an ageing population in the Western world and in several Asian countries, such as China and Japan. After all, an ageing, affluent population simply demands increasingly better medical care and effective medicines. In addition, demand for medicines is increasing strongly in wealthier emerging countries.

Since the costs of healthcare are mostly paid by health insurance, biotech companies' sales and profits can hold up well during a recession and can even rise.

#### A quick glance at 2022

2022 was a year with two faces for the biotech sector. On the one hand, there was an unfavorable biotech stock market. On the other hand, clinical trials conducted jointly with hospitals progressed well again after massive delays during the lockdowns. Those studies, to investigate the effect of new treatments and medicines, are vital for the biotech sector. Mostly positive news for the sector prevailed in the second half of 2022.

For a dedicated portfolio review of the Fund we refer to the monthly and quarterly newsletters.

#### Investment Team

Two of the team members, Paolo del Bufalo and Etienne Daher, were promoted to senior analyst. There were no other changes in the investment team.

#### Outlook

Due to the downward spiral in biotech share prices described above, we expect a turnaround in 2023. Of course, there are various risk factors that could spoil this outlook, including geopolitical issues, but the growth fundamentals for the sector are unchanged. The demand for medicine that increase our quality of life or can cure devastating diseases is increasing globally. Existing medicines are replaced by better ones, fueled by a high pace of innovation across the industry driven by genetics data and technologies.

Nobody knows when biotech share prices will get back to fair levels but eventually, they will. The timing of it will be influenced by the rate of M&A, investors' appetite for risk and/or impact.

#### Sustainability

Since its inception, the Aescap investment team has taken Environmental, Social and Governance (ESG) factors into consideration when analyzing the outside in and inside out facets of its portfolio companies and potential new investments according to the below framework.

##### Integration of sustainability risks

Sustainability risks are categorized into Environmental, Social or Governance (ESG) issues and may pose a material risk to the value of an investment.

Not all sustainability risks may have a material negative effect on the value of an investment. Also, the relevancy of each sustainability risk may differ based on the economic sector the investment is active in. Therefore, the Fund applies the Materiality Map of the Sustainability Accounting Standards Board (SASB) to determine which sustainability risks are material to consider in the investment decision-making process.

SASB has identified more than 25 sustainability risks divided across the E, S, and G topics. Dependent on the economic sector the investment is active in, these risks are marked either 1) not material, 2) not likely material, 3) likely material. For a risk to be classified as likely material, SASB has found that for over 50% of the companies active in that sector, the risk has a significant impact on the financial position or operational activities.

In each investment decision the relevant material sustainability risks are investigated using the following focus points:

- Policy and practices: Investigating if relevant sustainability risks to the investment are well covered by policies informs if all risks are sufficiently in scope and in control. If so, then the value of the investment may be less sensitive to the relevant sustainability risk than its peers.
- Incidents: If the sector or the investment experienced significant incidents regarding the relevant sustainability risk recently, this may inform the understanding of both the frequency of it occurring, as well as the investments readiness and quality of response. Better preparedness and a strong response mean the value of the investment may be less sensitive to the relevant sustainability risk than its peers.

## Aescap Life Sciences

### Sustainability (Continue)

This analysis will provide a low, average or high estimated sensitivity of the value of the investment to material sustainability risks and informs the investment decision making process. A high sensitivity does not automatically disqualify an investment from inclusion in the Fund, but this information will be included in the decision-making process.

Considering the sector focus of the Fund, the following sustainability risks are presumed to be likely material for the investments made by the Fund in the economic sector Biotechnology & Pharmaceuticals as defined by SASB. This list may be supplemented with any other SASB risks that the portfolio manager deems relevant in its analysis.

- Human rights & community relations; Safety and quality of clinical trials and participants.
- Access & affordability; Access to medicines, affordability & pricing.
- Product quality & safety; Medicine safety, defects, inadequate disclosure of risks during pre-clinical studies and clinical trials.
- Customer welfare; Patient follow-up and support for marketed products and during clinical trials.
- Selling practices & product labeling; Ethical marketing to medical specialists and patients.
- Employee engagement, diversity & inclusion; recruitment, development & retention.
- Supply chain management; quality and safety of supply chain management.
- Business ethics; Excessive pricing and uncompetitive behavior.

#### Monitoring of sustainability risks in the Fund

On an ongoing basis, the sustainability risk analyses for the investments of the Fund are reviewed and updated if and when applicable. Here, material changes to the individual sustainability risks of an investment are not expected to occur often. An update of the estimated sensitivity of the value of the investment to a sustainability risk might be triggered by a change in the policies and practices of the investment, or by a significant incident regarding the sustainability risk.

The material sustainability risk exposures and the concentration of high sensitivity investments in the Fund are part of the risk management policy of the Fund Manager and are monitored on a monthly basis.

### Article 8 classification – promotion of social characteristics

In addition to its financial aim to gain value by investing in publicly traded shares of biopharmaceutical companies and potentially also diagnostics and/or medical device companies, the Fund promotes a social characteristic. In the context of the Sustainable Finance Disclosure Regulation (SFDR), the Fund is therefore classified as an Article 8 fund. As the Fund promotes social characteristics, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

Researching, developing, or producing treatment/solutions for diseases with a high unmet medical need is the main focus point of the funds' investments. There is no universal definition of "unmet medical need" and the definition actually varies depending on the stakeholders involved (like payers, regulators, patients or medicines/solutions developers).

We considered this heterogeneity and defined that these types of diseases (for example Alzheimer's Disease, Arthritis, Diabetes, Multiple Sclerosis, Obesity, Cancer, Parkinson's Disease) are characterized by: (inadequacy of) available treatments, severity of impact on the patient and severity of impact on the healthcare system, in the geographies in which the company currently or plans to market or distribute its current or future product(s). We believe those three items can encompass what an unmet medical need is in our industry.

Developing medicines and other solutions for diseases where there is a high unmet medical need has a tremendous positive impact at various levels of our society. The first and most obvious is for patients affected by such diseases. The wide ranges of disease types and severity can impact people in many ways. Some of these diseases are eventually fatal, but the unmet medical need does not lie solely on mortality. In fact, patient's lives can be disrupted by conditions that impair the senses (e.g., blinding diseases, that can be congenital, age-related, or trauma related), affect walking and physical function abilities (e.g., muscle wasting diseases, not always fatal but always limiting), disrupt the integrity of the skin (e.g., skin scarring and scaling diseases), challenge the mental status of the patient (e.g., mood disorders), as well as in countless other ways. A person's health should not be limited to assessing whether that person is alive, but the assessment should focus on the patient's overall wellbeing and the function of each organ system, including mental health. By alleviating or even curing any of the conditions, the quality and length of life for patients improves dramatically.

Improving people's health by developing medicines and other solutions, or enabling their development, has impacts that go beyond patients and their health. If patients' health improves, it can enable them to resume working, enjoying their social lives, and reduce the stress on family and friends, leading to an immediate contribution to the function of society as well as a relief on the healthcare system that was supporting them before, leading to reduced public and private spending as well as to lowered consumption of resources that can impact the environment.

## Aescap Life Sciences

### Measurement of the social characteristics

The Fund promotes a social characteristic, but does not have as its objective sustainable investment. The Fund aims to have a minimum proportion of 30% (measured based on invested capital) of sustainable investments that contribute to the social characteristic. By measuring and monitoring the alignment of the portfolio and Fund activities to the focus points above, the Fund provides insight into how its social characteristic is achieved. The Fund reports annually on the following:

#### 1. Percentage of investee companies researching, developing or producing treatment for diseases with a high unmet medical need

There is no universal definition of "unmet medical need" and the definition actually varies depending on the stakeholders involved (like payers, regulators, patients or medicines developers).

Considering this heterogeneity and the fact that these types of diseases (for example Alzheimer's Disease, Arthritis, Diabetes, Multiple Sclerosis, Obesity, Cancer, Parkinson's Disease) are characterized by:

1. (inadequacy of) available treatments,
2. severity of impact on the patient and
3. severity of impact on the health care system, in the geographies in which the company currently or plans to market or distribute its current or future product;

those three items can encompass what an unmet medical need is in the context of the healthcare sector.

A company qualifies to contribute on this characteristic among the Fund's investments if:

For a company with product(s) on the market that has been profitable in the past 3 years:

- ≥ 50% of the products it markets are aimed at treating diseases with a high unmet medical need

For an unprofitable company with product(s) on the market or for a company without product(s) on the market:

- ≥ 50% of its pipeline programs and products on the market are aimed at treating diseases with a high unmet medical need

If a company qualifies, then the actual % of pipeline programs and/or products on the market addressing a high unmet medical need will be used in the calculation of how much of fund's AUM is contributing to this characteristic, proportionate to that company's weight in the portfolio.

If a company does not qualify, then it counts for 0% to the fund's calculation of AUM contribution to the high unmet need goal.

#### 2. Progress on ESG best-practice engagement following a sustainable investment strategy

The companies the Fund invests in should not only have strong financials, good management and comply with the regulations, but they should also continue to improve their Environmental, Social and Governance (ESG) performance wherever possible. The Portfolio Manager has a long history of investing in- and engaging with biotech companies. Engagement with companies can be very effective and can have a concrete and direct impact on their policies and practices. This not only benefits the company, but all stakeholders and ultimately society at large.

Findings from the ESG material risk analysis and Do No significant Harm analysis are combined to inform the engagement priorities for a portfolio company.

### Results and findings as of December 31, 2022

#### 1. Percentage of investee companies researching, developing or producing treatment for diseases with a high unmet medical need

Based on the portfolio holdings per December 2022, 82.25% of the Fund's assets under management was invested in companies that are researching, developing or producing treatment for diseases with a high unmet medical need. This represents 82.9% of the invested capital of the Fund.

#### 2. Progress on ESG best-practice engagement following a sustainable investment strategy

As ESG has become a topic of increasing importance to the Fund and key stakeholders (investment funds, companies, etc.). In 2022, the Fund further engaged to different degrees with its portfolio companies in order to ensure that all met the new ESG standards the Fund had set itself.

A handful of companies already had a yearly ESG report publication. The data sourcing at these companies was swift as we would have all relevant information readily available, and if not, we would directly engage with relevant key persons from the portfolio company.

However, as ESG regulations had only recently been put into place for investment funds, most companies had no information available and therefore a dialog with the company was required to assess the status quo and progress on all relevant topics. First contact was usually held directly with management team during regular meetings the Fund has with its portfolio companies, or via email. If necessary, questions on relevant topics would be sent and answers would be gathered internally before feedback would be given, if necessary, by the Fund.

In 2022, the Fund has engaged with 11 of the 21 portfolio companies it counted as of December 31, 2022. The other portfolio companies had information readily available from their website or relevant company filings. Of the 11 companies the Fund engaged with, 3 required multiple extensive discussions, first to raise awareness around new regulations, and second to define a common deadline for ESG data disclosure.

While the Fund realizes that it has limited impact on large companies, its impact on smaller companies is noticeable. For some of our portfolio companies, our inquiries regarding ESG topics triggered internal reviews, something that we believe will contribute to the increased awareness and action on ESG within our industry.

So far, no company disclosures have forced us to reconsider our investment position. If a company were to disclose such information, multiple steps would be taken before we reach this last step: (i) direct contact with company to flag the issues and discuss their intentions on resolving them (ii) continue discussions and make clear that continued breach of our ESG principles could lead to position divestment (iii) making use of our ownership % to vote relevant resolutions during shareholder meetings (iv) position divestment (after 3 years of breach and no effort undertaken to solution the issue).

One company is still drafting its ESG report and was not able to provide answers to dedicated questions since it was only officially incorporated as a standalone company in 2022. The company mentioned to us it will produce an ESG report in 2023, we will check the report and engage with the company should there be any delays, actions or statements that go against the fund's ESG principles.

#### Principal Adverse Impacts on sustainability factors

When making investment decisions, the investment team did consider the possible negative impacts of investments on sustainability factors. The Fund Manager has published a principal adverse impact (PAI) statement on its website and the website of the Fund. Initial reporting on the PAI metrics will take place in June 2023.

In Annex I of these Financial Statements additional SFDR disclosures on social characteristics are being provided according to a prescribed template.

## Aescap Life Sciences

### Control statement

The Board of Privium Fund Management B.V. declares to have an AO/IB (Handbook) that meets the requirements of the "Wet op het financieel toezicht and the 'Besluit gedragstoezicht financiële ondernemingen ('Bgro')". During 2022 we assessed the various aspects of the Privium operations as outlined in the AO/IB (Handbook). We have not identified any internal control measures that do not meet the requirements of Article 121 of the Bgro and as such we declare that the operations in the year 2022 functioned effectively as described. During 2022 a number of independent service providers have conducted checks on Privium's operations as part of their ongoing responsibility and investor demand. No errors have been signaled.

Privium is updating its AO/IC (Handbook) on a regular basis as required by law. The 2022 update was completed in November 2022. During the fourth quarter of 2022 and the first two months of 2023 the external audit officer performed its annual due diligence on a number of internal procedures at the Fund Manager. These are related to Compliance and Risk Management. The external audit officer has reported his findings to the Fund Manager in a report. No meaningful errors have been signalled.

### Remuneration policy

#### General principles of remuneration policy Privium Fund Management B.V. ('Privium')

Privium Fund Management B.V. ("Privium") has a careful, controlled and sustainable remuneration policy which meets all requirements included in the Alternative Investment Fund Managers Directive (AIFMD) and the guidelines on sound remuneration policies under the AIFMD (ESMA Guidelines). In line with the Sustainable Finance Disclosure Regulation (SFDR) the remuneration policy of Privium takes into account sustainability risks. The remuneration policy is consistent with and contributes to a sound and effective risk management framework and does not encourage risk taking beyond what is acceptable for Privium.

The Board of Privium is responsible for establishing the Remuneration policy. The Board of Privium reviews the Remuneration policy at least once a year and the policy may be amended if circumstances warrant that. Remunerations at Privium may consist out of a fixed salary (this may include a payment to cover certain expenses of staff members) and a variable remuneration.

Privium may reclaim all or part of the variable remuneration paid if (i) this payment was made on the basis of incorrect information, (ii) in the event of fraud by the employee, (iii) in the event of serious improper behaviour by the employee or serious negligence in the performance of his tasks, or (iv) in the event of behaviour that has resulted in considerable losses for the fund or Privium.

#### Remuneration policy 2022

This overview is based on the situation as of December 31, 2022. The financial year of Privium ends on December 31 of any year. For some of the funds the compensation consists of both a management and a performance fee. Amounts reflect remuneration related to funds managed by Privium, for the time Privium was the Fund Manager of those funds.

The two tables below offer an overview of the remuneration at the level of Privium. The first table shows the remuneration overview as of December 31, 2021 and the second table shows the remuneration overview as of December 31, 2022.

Information per fund is not available. The Board of Privium is being described as Identified Staff in senior management roles. All other staff members are categorized as identified staff outside senior management roles.

#### Overview as December 31, 2021

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	2	37	39
Total fixed remuneration	€ 167.492	€ 9.691.135	€ 9.858.627
Total variable remuneration	€ 42.500	€ 9.326.680	€ 9.369.180
<b>Total remuneration</b>	<b>€ 209.992</b>	<b>€ 19.017.815</b>	<b>€ 19.227.807</b>

#### Overview as December 31, 2022

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	3	38	41
Total fixed remuneration	€ 279.397	€ 9.303.709	€ 9.583.106
Total variable remuneration	€ 0	€ 479.953	€ 479.953
<b>Total remuneration</b>	<b>€ 279.397</b>	<b>€ 9.783.663</b>	<b>€ 10.063.059</b>



## Aescap Life Sciences

Variable payments to both identified staff members in senior management roles and identified staff outside senior management depend on financial and non-financial performance indicators, such as; positive results of and the effort of employees to the profitability of the company, the performance of the funds, extraordinary commitment to the firm, customer satisfaction, work according best practice ethical standards, compliance with risk management policies, compliance with internal and external rules among them sustainability (risks). The variable payments are for at least 50% based on non-financial performance indicators and variable payments are not granted when the non-financial performance criteria- such as having taken into account the set (sustainability) risks – are not met.

Regarding the 2022 performance of Aescap Life Sciences an amount of EUR 88.913 has been paid to Identified Staff of Privium as a variable remuneration.

Privium has delegated certain portfolio management duties of some of its funds to outside investment advisers ('delegates'). Remuneration of identified staff of delegates is not included in the table. The delegates are subject to regulatory requirements on remuneration policies and disclosures that are comparable with the requirements applicable to Privium. Reference to the remuneration of the delegates is included in the Prospectus and annual report of the funds concerned. Since no delegates for portfolio management have been assigned for the Aescap Life Sciences this is not applicable to the Aescap Life Sciences.

Privium Fund Management B.V., the Fund Manager of the various funds, does not charge any employee remuneration fees to the funds, except for the Supermarkt Vastgoed fund. The Supermarkt Vastgoed fund already had an 'at cost' fee model prior to Privium being appointed as Fund Manager, instead of the more common model where the Fund Manager receives a management fee that is a percentage of the AUM.

Employee remuneration is paid out of the management and performance fees (if applicable). In total 41 staff members were involved during (some part of) the year 2022 (2021: 39), including consultants and including both part-time and full-time staff.

No staff members have earned more than Euro one million in relation to the performance results during the year 2022 (2021: three).

## Voting in meetings of shareholders of companies in which the Fund invests

The Fund Manager is supposed to have at its disposal the shares and the voting rights attached thereto that the Legal Owner holds. In principle, the Fund Manager will use the voting rights attached to the shares held by the Fund. The Fund Manager will use these voting rights in such manner that can be conducive to realizing the Fund's investment objective. There is no obligation for the Fund Manager to use its voting rights.

## Risk management

Privium Fund Management B.V. has a clear and elaborate Risk Management framework, in line with current legislation, such as the Alternative Investment Fund Manager Directive (AIFMD). The Risk Management function within Privium is performed by an independent Risk Manager. Privium has a Risk Management Committee which meets at least on a monthly basis.

The Risk Management framework consists of several individual components, whereby Risk Monitoring is being performed on an ongoing basis.

Under the AIFM Directive, the Fund Manager is required to establish and maintain a permanent risk management function. This function should have a primary role in shaping the risk policy of each Alternative Investment Fund ("AIF") under management by the Fund Manager, risk monitoring and risk measuring in order to ensure that the risk level complies on an ongoing basis with the AIF's risk profile.

The risk management function performs the following roles:

- Implement effective risk management policies and procedures in order to identify, measure, manage and monitor risks;
- Ensure that the risk profile of an AIF is consistent with the risk limits set for the AIF;
- Monitor the liquidity profile of the AIF;
- Monitor sustainability risk levels;
- Monitor compliance with risk limits; and
- Provide regular updates to senior management concerning:

- 1: The consistency of stated profile versus risk limits;
- 2: The adequacy and effectiveness of the risk management process; and;
- 3: The current level of risk of each AIF and any actual or foreseeable breaches of risk limits.

As described by the AIFM Directive quantitative risk limits are, where possible, constructed for various risk categories: market risk, liquidity risk, credit risk, counterparty risk, and operational risk. These risk limits should be in agreement with the risk profile of the fund.

The risk management function is fully independent from the portfolio management function of the Fund Manager. The risk manager has full authority to close positions or the authorization to instruct the closing of positions on his behalf in case of a risk breach.

To ensure that all risk management tasks are executed correctly and timely, the Fund Manager uses an automated system that registers all risk tasks, keeps a list of all pending risk tasks, and escalates risk tasks that have not been executed or report a violation of a risk rule. The system produces an audit log that can be verified by the internal auditor, the external auditor, the management board, the regulator or other stake holders. Not all risk variables have limits but to identify any new relevant risks, every variable that is reported in the system flows through a sanity check. The sanity check will raise an exception if the variable falls outside its "normal" boundaries. The Risk Manager is notified of these exceptions and will make an assessment whether the situation is stable or whether further escalation is needed.

## **Aescap Life Sciences**

The positions of the fund are administered and reconciled by using a professional portfolio management system. Risk reports such as Value at Risk and Stress Scenarios are run using Bloomberg.

The CM system is responsible for monitoring of the pre-defined risk limits. The limits can either be configured as notification limits, soft limits or hard limits. In case of a breach of any of the limits, the escalation procedures are followed as described in the Risk Management Procedures (Annex 17) of the Privium Handbook.

The reoccurring risk tasks are:

- Weekly risk report by risk management, including Value at Risk.
- Monthly reporting by portfolio management
- Quarterly Operational risk management
- Monthly stress scenarios. On ad hoc basis extra stress scenarios can be done.

On a monthly basis the Risk Committee of the Fund Manager meets to discuss the performances and risks of the Fund. Any breaches are discussed. On a yearly basis a Risk Evaluation and Product Review is conducted.

In 2016 Privium's senior management team decided to engage an external party in the annual evaluation of the internal processes. This audit primarily focusses on risk management and compliance processes. In Q4 2022 this audit was executed for sixth time and the findings were reported to Privium's management. The audit did not demonstrate any material deviations.

### **Risk management and willingness to take risks**

During the year 2022 there were no risk breaches. The risk profile of the Fund hasn't changed during the reporting period. Neither did the investment objective (s) or any of the investment restrictions of the Fund changed during the reporting period.

Reference to the investment objective (s), risk profile and the investment restrictions of the Fund is made in the Prospectus of the Fund, the Key Information Document.

In the table below we list the various risk to which investors in the Fund are exposed and we discuss the measures applied to manage these risks and their potential impact on the Fund's NAV's.

**Aescap Life Sciences**

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Impact on 2022 NAV
Price/Market Risk	No	The Fund has been holding cash and long only equity positions. Bottom-up company analysis is a very important item in mitigating risks during the holding period of a position. However share price fluctuations due to general equity market movements during the holding period can't be mitigated or avoided in full by conducting company analysis. This risk is inherent when securities like equities are traded.	The Fund lost -14.4% in 2022. The Fund outperformed the S&P Biotech Index (measured through the SPDR S&P Biotech index ETF) in 2022. This index lost -21.2% in 2022 (in EUR). The Fund also outperformed the second reference index, the MSCI World Small Cap Biotech Index (in EUR), which lost -24.3% in 2022.
Sector risk	No	The Biotechnology sector is deemed to be a high risk sector. Bottom-up company analysis is a very important item in mitigating risks during the holding period of a position. However share price fluctuations due to company specific items during the holding period can't be mitigated or avoided in full by conducting company analysis.	The Fund lost -14.4% in 2022. The Fund outperformed the S&P Biotech Index (measured through the SPDR S&P Biotech index ETF) in 2022. This index lost -21.2% in 2022 (in EUR). The Fund also outperformed the second reference index, the MSCI World Small Cap Biotech Index (in EUR), which lost -24.3% in 2022.
Interest rate risk	No	The Fund has no interest bearing financial instruments except for cash at bank (including custodian). Therefore the Fund is not exposed to significant interest rate risk.	None
Foreign Exchange risk	No	FX risk is not being hedged. It is not expected that this will change in the near future either.	Over 65% of the investments are denominated in non-EUR currencies of which the USD has the largest weight and because of the appreciation of the US Dollar in 2022, the US Dollar appreciated 5.8% vs the Euro, this had a positive impact on results.
Liquidity risk	No	Liquidity risk mostly has been mitigated by investing in positions that offer sufficient liquidity	None
Credit risk	No	Spare cash is maintained at Saxo Bank and ABN AMRO. Both parties are deemed to be solvent and we would reconsider the relationship if this changes.	None
Operational risk	No	This risk is mostly mitigated by having rigid operational procedures in place. Next to that duties and responsibilities are clearly divided between Privium employees. The same is applicable at the service providers of the several Privium Funds.	None
Counterparty Risk	No	This risk is mostly mitigated by selecting and maintaining relationships with top tier counterparties and service providers.	None
Leverage Risk	No	The Fund is not using leverage (no implied leverage and no actual borrowings). Nevertheless as of December 31, 2022 the leverage calculations according to the Gross method and Commitment method are as follows: Gross method: 99.87% and Commitment method: 100%.	None
Sustainability Risk	No	Sustainability risks are categorized into Environmental, Social or Governance (ESG) issues and may pose a material risk to the value of an investment. Since the Fund is investing in companies, a clear understanding of the sustainability risks in these companies is required. Therefore, the due diligence process for any new investment will contain at a minimum the following topics: <ul style="list-style-type: none"> <li>•Analysis of the company's sustainability risk related disclosures and reporting;</li> <li>•Questioning management on the sustainability risks the company is exposed to;</li> <li>•Questioning management on the concentration of sustainability risks and its development over time;</li> <li>•Analysis of the management's policy for identifying, measuring and monitoring sustainability risks; and</li> <li>•Questioning if the management takes Principle Adverse Impacts into account as prescribed by the SFDR.</li> </ul>	None

The Russian invasion in Ukraine continues to cause uncertainty. The Fund has no direct or indirect exposure to Ukraine, Belarus or Russia. On behalf of the Fund Manager, the Administrator of the Fund carries out ongoing sanctions screening on the investors of the Fund. Here, no hits have been identified. Further escalation of the conflict is expected to dampen global growth, especially in Europe. This might have an impact on the performance of the Fund.

Amsterdam, April 30, 2023

**Privium Fund Management B.V.**

**Aescap Life Sciences****Balance Sheet as per 31 December 31, 2022**

(before profit appropriation)

	Notes	31-12-22		31-12-21	
		EUR	EUR	EUR	EUR
<b>Investments</b>					
Securities	4	127,620,624		156,112,716	
			127,620,624		156,112,716
<b>Receivables and current assets</b>					
Cash at Banks	5	738,257		11,259,915	
Dividends receivable		50,205		66,257	
Other assets	6	-		10,265	
			788,462.00		11,336,437
<b>Total Long Term and Current Assets</b>			128,409,086		167,449,153
<b>Current Liabilities (Due within One Year)</b>					
Payables to the Fund Manager	7	150,404		175,888	
Payables for administration- and legal ownerfees		7,449		22,983	
Payables to Unit Holders	7	45,000		-	
Other payables	7	19,582		17,627	
<b>Total Current Liabilities</b>			222,435		216,498
<b>Total of Receivables and Current Assets</b>					
<b>Less Current Liabilities</b>			566,027		11,119,939
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>128,186,651</b>		<b>167,232,655</b>
<b>Investors' equity</b>					
Issued capital	8.1		117,274,823		134,165,423
Other reserve	8.2		33,056,967		63,513,671
Legal reserve	8.3		-		10,265
Undistributed result current year	8.4		(22,145,139)		(30,456,704)
<b>TOTAL INVESTORS' EQUITY</b>			<b>128,186,651</b>		<b>167,232,655</b>

**Aescap Life Sciences****Profit & Loss Account for the period January 1, 2022 – December 31, 2022**

	Notes	01-01-22 / 31-12-22		01-01-21 / 31-12-21	
		EUR	EUR	EUR	EUR
<b>Direct Income from Investments</b>					
Dividends	9.1	471,278		239,507	
Interest Income	9.2	(7,649)		(39,291)	
			463,629		200,216
<b>Indirect Income from Investments</b>					
Unrealised Price Gains/Losses on Investments	10.1	(2,800,264)		(38,531,544)	
Unrealised Currency Gains/Losses on Investments		3,283,796		11,755,993	
Realised Price Gains/Losses on Investments	10.2	(28,578,215)		237,412	
Realised Currency Gains/Losses on Investments	10.3	6,758,366		(1,076,803)	
			(21,336,317)		(27,614,942)
<b>Other Income</b>					
Exchange Differences on Cash (including FX)		447,836		235,592	
Subscription and redemption fees	9.3	43,803		58,990	
Other income		-		13,416	
			491,639		307,998
<b>Total Income</b>			<b>(20,381,049)</b>		<b>(27,106,728)</b>
<b>Expenses</b>					
Management Fee	11.1	1,475,941		2,400,069	
Performance Fee	11.1	88,913		706,105	
Administration Fee	11.2	82,427		122,611	
Audit Fee	11.2	20,226		20,309	
Custodian, Depository and Legal Owner Fee	11.2	42,764		58,814	
Other Expenses	11.2	53,819		42,068	
			(1,764,090)		(3,349,976)
<b>Depreciation</b>					
Amortization of intangible fixed assets	6	10,265		14,028	
			(10,265)		(14,028)
<b>Total expenses</b>			<b>(1,774,355)</b>		<b>(3,364,004)</b>
<b>NET PROFIT FOR THE BOOKYEAR</b>			<b><u>(22,155,404)</u></b>		<b><u>(30,470,732)</u></b>
<b>COMPREHENSIVE INCOME</b>			<b><u>(22,155,404)</u></b>		<b><u>(30,470,732)</u></b>

**Aescap Life Sciences****Statement of Cash Flows for the period January 1, 2022 – December 31, 2022**

	01-01-22 / 31-12-22		01-01-21 / 31-12-21	
	EUR	EUR	EUR	EUR
<b>Cash Flow from Investing Activities</b>				
Total Investment Result	(22,155,404)		(30,470,732)	
Realised Price and Currency Results	21,372,013		603,799	
Unrealised Price and Currency Results	(483,532)		26,775,551	
Amortization of intangible fixed assets	10,265		14,028	
Purchase of Investments	(71,927,975)		(134,431,997)	
Sales of Investments	79,083,750		157,476,906	
Change in Short Term Receivables	16,052		(66,257)	
Change in Current Liabilities	5,937		(974,115)	
		5,921,106		18,927,183
<b>Net Cash Flow from Investing Activities</b>		<b>5,921,106</b>		<b>18,927,183</b>
<b>Cash Flow from Financing Activities</b>				
Subscriptions	6,635,208		19,215,817	
Redemptions	(23,525,808)		(31,205,504)	
<b>Net Cash Flow from Financing Activities</b>		(16,890,600)		(11,989,687)
<b>Net Cash Flow</b>		(10,969,494)		6,937,496
Exchange Differences on Cash		447,836		235,592
<b>Change in Cash at banks</b>		<b>(10,521,658)</b>		<b>7,173,088</b>
<b>Change in Cash at banks</b>				
Cash and Cash Equivalents at the Start of the reporting period		11,259,915		4,086,827
Cash and Cash Equivalents at the End of the reporting period		738,257		11,259,915
<b>Change in Cash at banks</b>		<b>(10,521,658)</b>		<b>7,173,088</b>

## Aescap Life Sciences

### Notes

#### 1. General

The Fund is a mutual Fund ("fonds voor gemene rekening") under the laws of the Netherlands. It does not have legal personality.

The Fund's financial year runs from January 1 up to and including December 31. The financial statements will be made up in accordance with Title 9 of Book 2 of the Dutch Civil Code. The financial statements are reported in Euros and are published within four (4) months after the end of the financial year. The financial statements consists of a report from the Fund Manager together with the annual accounts. The annual accounts consist of the balance sheet, the profit and loss account and the explanation thereof. The explanation will include at least an overview of the evolution of the Fund's value over the financial year and the composition of the investments of the Fund at the end of the financial year concerned. The annual accounts are audited by Mazars N.V., whereas the semi annual accounts will not be audited by the independent auditor. The financial statements shall be made available to the Unit Holders via email.

The Fund started its activities as per March 28, 2016. This annual report includes the period from January 1, 2022 until December 31, 2022, whereas the comparative figures relate to the period from January 1, 2021 until December 31, 2021.

#### *Tax Position of the Fund*

##### *Corporate income tax*

The Fund is tax transparent for Dutch corporate tax purposes, as a consequence of which the Fund is not subject to Dutch corporate income tax. From a Dutch tax perspective, the returns on the investments received by the Fund directly influence the tax position of the Unit Holder.

##### *Withholding taxes*

Distributions by the Fund are not subject to Dutch dividend withholding tax as a consequence of its transparency for tax purposes. Due to its transparency, the Fund itself is not entitled to any credit or refund of Dutch dividend withholding tax or (non-reclaimable) foreign withholding taxes withheld on dividends and interest received, nor can the Fund claim any benefits under a tax treaty concluded by the Netherlands with other states.

The tax transparency of the Fund also implies that any dividend withholding tax and foreign withholding taxes withheld on its investments are allocated to the Unit Holders, i.e., on a pro rata basis. In principle, such withholding taxes may be set off by the Unit Holders, whereby the conditions that apply are the same as would be the case for a direct investment (pro rata) by the relevant Unit Holder.

For the reporting period the fund did not receive any (withholding)tax refunds.

#### 2. Principles of Valuation

##### **2.1 Valuation of assets and liabilities**

The assets and liabilities of the Fund will be valued in accordance with the following policies and principles:

Securities stated as investments are initially recognized at fair value plus directly attributable transaction costs. Subsequently these securities are stated against fair value. Gains and losses arising from fair value changes are taken to the profit and loss account.

##### ***Securities***

– listed securities (shares) will be stated against fair value at initial recognition and subsequently stated at fair value. The fair value is determined at the last official traded price ("closing price") of the Business Day preceding the Valuation Day (or, if a stock exchange was not open for business, the previous Business Day).

– warrants are initially valued at fair value. The fair value is determined at the last official traded price and if not available warrants will be valued at a theoretical valuation model such as Black & Scholes.

##### ***Other assets and liabilities***

– liquidities and deposits which are immediately payable are valued at amortized cost.

– assets and liabilities in a foreign currency will be converted into Euro at the exchange rate on the last Business Day preceding the Valuation Day.

– other assets and liabilities are valued at their nominal value.

Expenses related to the purchase of investments are included in the cost of investments. Sales charges, if any, are deducted from gross proceeds and will be expressed in the capital gain/losses.

##### **2.2. Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into EUR at the rate of exchange as at the balance sheet date. All exchange differences are taken to the profit and loss account. Income and expenses in foreign currencies are translated at the exchange rate as per transaction date.

Rates of exchange used in this final report as at December 31, 2022 (December 31, 2021) :

	31-12-22	31-12-21
EUR / DKK	7.4369	7.4416
EUR / GBP	1.1300	0.8407
EUR / SEK	11.1571	10.2917
EUR / USD	1.0705	1.1370

## Aescap Life Sciences

### Notes (continued)

#### **2.3 Other Assets and Liabilities**

Other assets and liabilities are recorded at fair value and then valued at amortised cost.

#### **2.4 Income Recognition Principles**

The result is determined by deducting expenses from the proceeds of dividend, interest and other income in the period under review. The realised revaluations of investments are determined by deducting the purchase price from the sale proceeds. The unrealised revaluations of investments are determined by deducting the purchase price or the balance sheet value at the start of the period under review from the balance sheet value at the end of the period under review. Brokerage fees payable on the acquisition of investments, if any, are considered to be part of the investments costs, and as a result, are not taken to the profit and loss account.

#### **2.5 Cash Flow Statement**

The cash flow statement is prepared according to the indirect method. The presentation of the cash flow is derived from the investment result. In accordance with RJ 615.310 the cash flow statements consists of cash flows from investing and financing activities.

Cash flows in foreign currencies during the year are translated at the exchange rate prevailing at the transaction date. Exchange rate differences are separately included in the cash flow statement between the net cash flow and the change in cash.

#### **2.6 Subscription and Redemption of Units**

##### **2.6.1 Subscription**

Currently the Fund is offering the following Unit Classes to Unit Holders:

- AEscap Life Sciences Manager: Minimum investment is EUR 100,000
- AEscap Life Sciences Investors: Minimum investment is EUR 500,000
- AEscap Life Sciences Investors <500k: Minimum investment is EUR 101,100
- AEscap Life Sciences Investors 10M+: Minimum investment is EUR 10,000,000
- AEscap Life Sciences Investors 20M+: Minimum investment is EUR 20,000,000
- AEscap Life Sciences Investors 30M+: Minimum investment is EUR 30,000,000
- AEscap Life Sciences Investors N: Minimum investment is EUR 500,000

The Fund Manager can accept a lower minimum subscription amount for the Aescap Life Sciences Investors Unit Class and the Aescap Life Sciences Investors <500k Unit Class. This minimum can be lowered to EUR 10,000. Here clients of wealth managers, family offices or private banks, who have an executed discretionary portfolio agreement or investment advisory services agreement with the wealth manager, family office or private bank, are accepted when the investment decision to invest in the Aescap Life Sciences is taken or advised by the wealth manager, family office or private bank. This will only be possible for the Life Sciences Investors Unit Class. Additionally, for family members (being defined as first and second degree relatives) of existing Unit Holders, subscription amounts below EUR 101,000 can be accepted as well. Here the subscription will be linked to the size of the current investment of the existing Unit Holder. This will both be possible for the Aescap Life Sciences Investors Unit Class and the Aescap Life Sciences Investors <500k Unit Class.

Existing Unit Holders can make applications for further Units in amounts of € 10,000 or more.

##### **Issue of Units**

The Fund may issue new Units of a particular Unit Class on each Transaction Day at the Net Asset Value per Unit in such Unit Class on the preceding Valuation Day. Here a subscription fee of 1% will be applied (Aescap Life Sciences Investors <500k). This fee is for the benefit of the Fund Manager and may be used to cover expenses like, among potential other expenses, any marketing expenses and/or any placement agent fees following the issue. Units will be issued for the remaining amount in the Series applicable on the Transaction Day. The Units shall be issued in Amsterdam.

##### **Subscription requests (latest 1 business day prior to the Transaction Day)**

Applications for the subscription of Units should be submitted to the Administrator latest one Business Day prior to the desired Transaction Day. In order to subscribe, a subscription form must be filled out. The subscription request should indicate the amount for the size of subscription which is requested.

##### **Payment (latest 1 business day prior to the Transaction Day)**

Payment is possible only through a bank account in the name of the Unit Holder. The subscription amount must be received in the account of the Legal Owner ultimately one Business Day prior to the relevant Transaction Day. No interest will be paid over the subscription amount for the period between the payment of the subscription amount and the issuance of Units. The interest which is accrued is for the benefit of the Fund. If the amount and/or forms are not received within the required timeframe, the subscription will take effect at the first business day of the following month. The Fund will make no adjustment or compensation for interest received over this period.



## Aescap Life Sciences

### Notes (continued)

#### 2.6.2 Redemption

Unless redemption is suspended (see "Suspension of redemption" below), the Fund will accept redemptions of Units on each Transaction Day at the Net Asset Value thereof in the applicable Series on the preceding Valuation Day (the "redemption value"), after deducting an anti-dilution levy of 0.2% of the redemption sum (and if, applicable an early redemption fee). The anti-dilution levy is to cover the transaction and other costs made in connection with the redemption and will be for the benefit of the Fund. This fee will be deducted from the amount to be received by the Unit Holder.

#### Redemption requests

Redemption requests have to be received by the Fund Manager at least twenty (20) Business Days before the desired Transaction Day. The redemption request should indicate the amount in number of Units, up to four (4) decimals, for which redemption is requested. Partial redemption is only allowed if after redemption the Unit Holder is still holding Units with an aggregate Net Asset Value of at least € 100,000. The Fund Manager will check this upon receiving the redemption request. The Net Asset Value of the Units offered for redemption needs to amount to at least € 10,000.

To request for redemption, Unit Holders must use a special form, which can be downloaded from the Website.

#### Payment redemption amount

Redemption sums (Net Asset Value per Unit minus redemption fee and, if applicable, early redemption fee) will be paid within ten (10) Business Days of redemption to the bank account of the Unit Holders as mentioned in the register of Unit Holders. Payment on this bank account constitutes a discharge of the Fund towards the respective Unit Holder of the obligation to pay the redemption amount.

### 3. Financial instrument risk factors

#### Financial instrument risk management

The Fund and its manager has adequate risk management policies, procedures and systems in order to identify, measure, manage and monitor all risks that are relevant to the investment strategy and to which Aescap Life Sciences is or may be exposed. The Manager has highly qualified staff in control functions which operate independently from the investment professionals. The Risk Manager performs an analysis of the governance, adequacy and effectiveness of risk limits, reporting and follow-up procedures on a regular basis. In addition, the Depositary of the Fund independently performs several checks regarding ownership of assets, valuations and cash flows from and to investors.

For the risk management and willingness to take risks disclosures we refer to the management report.

#### Fair value risk

The fund is not exposed to fair value risk whereas all financial instruments are valued at fair value.

#### Credit risk

The fund does not invest in any fixed income instruments resulting in no exposure to credit risk.

Find below the risks, the fund is exposed to, which may have direct impact on the valuation of the funds' financial instruments :

#### Market risk

Markets may rise and fall and the prices of financial instruments and other assets on the financial markets in general, and more specifically the prices of assets of the nature and type the Fund may invest in and hold, can rise and fall. A careful selection and spread of investments does not provide any guarantee of positive results. In the biotech / life sciences market, governmental measures or involvement related to medicine approvals, pricing intervention, other governmental related intervention as well as technology risks can have a large impact on the value of one single company or the market as a whole. There may be various reasons why markets fall like recessions caused by a change in the economic business cycle or a pandemic.

#### Currency risk

The Fund does not hedge currency positions. Investments other than in Euros can therefore cause fluctuations, positive as well as negative, in the Net Asset Value of the Fund.

#### Risks related to the sector the Fund invests in

The sector the Fund is investing in comes with certain specific risks such as:

- Potential weakening of the patent protection environment in one or more jurisdictions;
- Financing risk, given the fact that many biotech companies are loss making and therefore are in need of further financing to develop their products;
- Major technology breakthroughs outside of the Fund's portfolio;
- Legal or regulatory developments influencing the life sciences industry and/or the investments made by the Fund;
- Changes in projections by securities analysts of a company;
- Biotech stock market fluctuations.

#### Concentration risk

Because of the limitation of investments to approximately 20 different companies, there may be stronger fluctuations in the Net Asset Value of the Fund in case one or more particular investments by the Fund would decrease in value, than it would normally be the case if the investments were more spread. As a result of the strategy of the Fund, the returns of the Fund can deviate significantly from the returns of a world equity index. As a consequence thereof, specific risks arise that are reflected in differences in performance between the Fund and the global equity indices, positively and negatively.

#### Liquidity risk

If, due to unforeseen circumstances, normal liquidity conditions do not apply, the Fund could face liquidity risk. This could imply that financial instruments cannot be sold or bought under normal market conditions, leading to significant direct and indirect transaction costs. It may also mean that positions cannot be sold at the anticipated price as established and deemed to be the fair value at the date of deciding to liquidate/sell those positions. This may have a negative effect on the Net Asset Value of a Unit.

Especially when the Fund will experience substantial redemption requests the Fund may be exposed to a great extent to this risk.

#### Sustainability risk

Sustainability risk in the context of the Fund is defined as the risk of a decrease in the value of an investment of the Fund due to an environmental, social or governance (ESG) related event.

#### Fraud risk

The Fund Manager is aware of the possibility of fraud which might affect the assets of the Fund. Because of this the Fund Manager applies a range of measures and procedures to mitigate the fraud risk. These procedures are part of the Handbook of the Fund Manager. Due to the segregation of duties and responsibilities among people the risk of fraud is mitigated further.

## Aescap Life Sciences

### Notes to the Balance Sheet

			<u>31-12-22</u>	<u>31-12-21</u>	
<b>4. Investments</b>					
<b>4.1 Statement of Changes in Securities</b>					
Position as at the Start of the Year			156,112,716	206,772,567	
Purchases			71,927,975	134,431,997	
Sales			(79,083,750)	(157,476,906)	
Realised gains on investments			(21,819,849)	(839,391)	
Unrealised gains/losses on investments			483,532	(26,775,551)	
Position as at the End of the Year			<u>127,620,624</u>	<u>156,112,716</u>	
	<b>Position</b>	<b>Purchases</b>	<b>Sales</b>	<b>Gains/Losses</b>	<b>Position</b>
	<b>31-12-21</b>				<b>31-12-22</b>
Equity	156,112,716	71,927,975	(79,083,750)	(21,336,317)	127,620,624
<b>Total</b>	<u><b>156,112,716</b></u>	<u><b>71,927,975</b></u>	<u><b>(79,083,750)</b></u>	<u><b>(21,336,317)</b></u>	<u><b>127,620,624</b></u>
<b>4.2 Transaction Costs</b>					
Transaction costs for the purchase of investments are capitalized within the historical cost price and for sales the transaction costs are discounted from the sales price. Transaction costs in the period under review amounts to € 145,145 (2021 : € 185,037).					
<b>5. Cash at Banks</b>					
Cash comprises cash on hand and demand deposits with no usage restrictions.					
<b>6. Other assets</b>			<u>31-12-22</u>	<u>31-12-21</u>	
Formation expenses			10,265	24,293	
Write off formation expenses			(10,265)	(14,028)	
<b>Bookvalue formation expenses</b>			<u>-</u>	<u>10,265</u>	
<b>7. Current Liabilities (Due within One Year)</b>			<u>31-12-22</u>	<u>31-12-21</u>	
Management Fee (including Incentive Fee) payable			150,404	175,888	
Administration / Legal owner Fee payable			7,449	22,983	
Audit Fee payable			6,080	10,175	
Other Expenses payable			13,502	7,452	
Liabilities to Unit Holders			45,000	-	
<b>Total Current Liabilities (Due within One Year)</b>			<u><b>222,435</b></u>	<u><b>216,498</b></u>	

The Liabilities to Unit Holders for an amount of EUR 45,000 as per end of the bookyear 2022 comprises subscription amounts paid in advance by Unit Holders, which amounts are invested into Units of the Fund as per January 1, 2023.

The fair value of the current liabilities is in line with its book value, considering the short-term nature of these liabilities.

**Aescap Life Sciences****Notes to the Balance Sheet**

	<b>31-12-22</b>	<b>31-12-21</b>
<b>8. Investors' equity</b>		
<b>8.1 Issued capital</b>		
Position as at the Start of the reporting year	134,165,423	146,155,110
Subscriptions	6,635,208	19,215,817
Redemptions	(23,525,808)	(31,205,504)
<b>Position as at the End of reporting year</b>	<b>117,274,823</b>	<b>134,165,423</b>
<b>8.2 Other reserve</b>		
Position as at the Start of the reporting year	63,513,671	65,099,026
Transferred from Undistributed Result	(30,456,704)	(1,585,355)
<b>Position as at the End of the reporting year</b>	<b>33,056,967</b>	<b>63,513,671</b>
<b>8.3 Legal reserve</b>		
Position as at the Start of the reporting year	10,265.00	24,293.00
Transferred from Undistributed result	(10,265.00)	(14,028.00)
<b>Position as at the End of the reporting year</b>	<b>-</b>	<b>10,265</b>
Legal reserve has been formed for the activated formation expenses (See note 6 Intangible Assets).		
<b>8.4 Undistributed result current year</b>		
Position as at the Start of the reporting year	(30,456,704)	(1,585,355)
Transferred to/from General Reserve	30,456,704	1,585,355
Transferred to/from Legal Reserve	10,265	14,028
Total Profit for the bookyear	(22,155,404)	(30,470,732)
<b>Position as at the End of the reporting year</b>	<b>(22,145,139)</b>	<b>(30,456,704)</b>

**Aescap Life Sciences****8.5 Investors' equity  
(Fund Net Asset Value)**

	<b>Net Asset Value per unit</b>	<b>number of units</b>	<b>Investors' equity</b>	<b>Investors' equity</b>
			<b>31-12-22</b>	<b>31-12-21</b>
Aescap Life Sciences Fund management	2,157.25	11,010.18	23,751,715	28,089,434
Aescap Life Sciences Investors	1,591.00	56,378.55	89,698,373	115,798,452
Aescap Life Sciences Investors 011117	-	-	-	-
Aescap Life Sciences Investors 011217	-	-	-	-
Aescap Life Sciences Investors 011118	-	-	-	-
Aescap Life Sciences Investors 011218	-	-	-	-
Aescap Life Sciences Investors 010320	-	-	-	-
Aescap Life Sciences Investors 010420	-	-	-	-
Aescap Life Sciences Investors 010520	-	-	-	-
Aescap Life Sciences Investors 010620	-	-	-	-
Aescap Life Sciences Investors 010720	-	-	-	-
Aescap Life Sciences Investors 010820	-	-	-	-
Aescap Life Sciences Investors 010920	-	-	-	-
Aescap Life Sciences Investors 01020	-	-	-	-
Aescap Life Sciences Investors 011120	-	-	-	-
Aescap Life Sciences Investors 011220	-	-	-	-
Aescap Life Sciences Investors 150320	-	-	-	-
Aescap Life Sciences Investors 150420	-	-	-	-
Aescap Life Sciences Investors 150520	-	-	-	-
Aescap Life Sciences Investors 150620	-	-	-	-
Aescap Life Sciences Investors 150720	-	-	-	-
Aescap Life Sciences Investors 150820	-	-	-	-
Aescap Life Sciences Investors 150920	-	-	-	-
Aescap Life Sciences Investors 151020	-	-	-	-
Aescap Life Sciences Investors 151120	-	-	-	-
Aescap Life Sciences Investors 151220	-	-	-	-
Aescap Life Sciences Investors 10M+	-	-	-	11,414,519
Aescap Life Sciences Investors 20M+	-	-	-	-
Aescap Life Sciences Investors 20M+ 150920	-	-	-	-
Aescap Life Sciences Investors 11021	1,590.05	1,185.75	1,885,411	2,201,868
Aescap Life Sciences Investors 11121	1,591.00	5.99	9,536	48,257
Aescap Life Sciences Investors 11221	1,588.19	108.60	172,479	201,429
Aescap Life Sciences Investors 1321	1,582.01	8.89	14,068	22,050
Aescap Life Sciences Investors 1421	1,577.70	1,169.46	1,845,065	2,592,086
Aescap Life Sciences Investors 151021	1,591.00	107.65	171,268	200,015
Aescap Life Sciences Investors 151121	1,591.00	61.86	98,417	114,936
Aescap Life Sciences Investors 151221	1,587.26	13.48	21,395	24,986
Aescap Life Sciences Investors 1521	1,575.20	457.82	721,162	842,205
Aescap Life Sciences Investors 15321	1,587.00	1,188.24	1,885,727	2,202,237
Aescap Life Sciences Investors 15421	1,572.06	315.43	495,877	678,518
Aescap Life Sciences Investors 15521	1,552.63	198.78	308,633	374,462
Aescap Life Sciences Investors 15621	1,591.00	434.60	691,452	807,508
Aescap Life Sciences Investors 15721	1,582.49	93.75	148,365	180,563
Aescap Life Sciences Investors 15821	1,580.50	62.57	98,900	115,500
Aescap Life Sciences Investors 15921	1,591.00	108.37	172,409	201,347
Aescap Life Sciences Investors 1621	1,564.83	9.91	15,512	18,116
Aescap Life Sciences Investors 1721	1,591.00	442.57	704,126	822,309
Aescap Life Sciences Investors 1821	1,572.91	46.82	73,636	85,995
Aescap Life Sciences Investors 1921	1,591.00	104.45	166,185	195,863
Aescap Life Sciences Investors 010222	1,591.00	217.59	346,190	-
Aescap Life Sciences Investors 010322	1,549.95	7.18	11,132	-
Aescap Life Sciences Investors 010422	1,559.91	790.88	1,233,694	-
Aescap Life Sciences Investors 010622	1,527.86	114.95	175,632	-
Aescap Life Sciences Investors 010822	1,576.19	74.46	117,364	-
Aescap Life Sciences Investors 010922	1,567.43	28.14	44,102	-
Aescap Life Sciences Investors 011222	1,576.54	65.85	103,808	-
Aescap Life Sciences Investors 150122	1,591.00	293.24	466,540	-
Aescap Life Sciences Investors 150222	1,549.99	1,103.18	1,709,923	-
Aescap Life Sciences Investors 150322	1,529.54	7.70	11,781	-
Aescap Life Sciences Investors 150522	1,537.71	74.83	115,062	-
Aescap Life Sciences Investors 150822	1,585.33	37.76	59,857	-
Aescap Life Sciences Investors 150922	1,575.03	72.12	113,588	-
Aescap Life Sciences Investors 151122	1,565.95	6.81	10,670	-
Aescap Life Sciences Investors 151222	1,573.07	329.04	517,597	-
<b>Total Shareholders' Equity (Fund Net Asset Value)</b>			<b>128,186,651</b>	<b>167,232,655</b>

**Aescap Life Sciences**

***Subsequent events (events after the balance sheet date)***

No material events occurred after the balance sheet date that could influence the transparency of the financial statements.

***Result appropriation***

The balance sheet in this annual report (financial statements) has been drawn up before profit appropriation. The result for the reporting period will be added to the General Reserve.

## Aescap Life Sciences

### Notes to the Profit & Loss Account

#### 9. Income from Investments

##### 9.1 Dividends

This refers to net cash dividends including withholding tax.

##### 9.2 Interest Income

This amount was received / paid on outstanding cash balances.

##### 9.3 Other Income

This refers to the charges received on units issued and repurchased. These costs are to cover transaction costs in relation with the purchase and sale of units and are booked as an income for the Fund.

#### 10. Capital gains / losses

##### 10.1 Unrealised price gains / losses on investments

This refers to unrealised gains on securities € 39,043,672 (2021: € 49,457,492) and unrealised losses on securities € 41,843,936 (2021 : – € 87,989,036)

##### 10.2 Realised price gains / losses on investments

This refers to realised gains on securities € 5,420,346 (2021: € 27,847,523) and realised losses on securities – € 33,998,561 (2021 : – € 27,610,111).

##### 10.3 Realised currency gains / losses on investments

This refers to realised gains on securities € 6,850,290 (2021: € 1,681,008), realised losses on securities – € 91,924 (2021 : – € 2,757,811).

#### 11. Expenses

##### 11.1 Management Fees

( 1 ) Management Fee

01-01-22 /  
31-12-22

01-01-21 /  
31-12-21

1,475,941

2,400,069

( 2 ) Performance Fee

88,913

706,105

**1,564,854**

**3,106,174**

##### Management fees

The following annual management fee applies per Unit Class:

- AEscap Life Sciences Manager: 0%
- AEscap Life Sciences Investors: 1.5%
- AEscap Life Sciences Investors <500k: 1.5%
- AEscap Life Sciences Investors 10M+: 1.35%
- AEscap Life Sciences Investors 20M+: 1.2%
- AEscap Life Sciences Investors 30M+: 1%
- AEscap Life Sciences Investors N: 1.5%

The mentioned fees are calculated on a bi-monthly basis based on the Net Asset Value of the Fund, to be paid monthly in arrears.

The minimum management fee will at all times be at least EUR 75,000 per annum (net of any VAT). In case the management fee falls below this level the Fund will be liquidated.

##### Performance fees

The following performance fee applies per Unit Class:

- AEscap Life Sciences Manager: 0%
- AEscap Life Sciences Investors: 20%
- AEscap Life Sciences Investors <500k: 20%
- AEscap Life Sciences Investors 10M+: 18%
- AEscap Life Sciences Investors 20M+: 16%
- AEscap Life Sciences Investors 30M+: 15%
- AEscap Life Sciences Investors N: 20%

A performance fee which will be calculated twice a month and paid on a monthly basis and is calculated as follows:

(i) the increase in the Net Asset Value per Series (Net Asset Value per Series before performance fee) during the particular time period commencing as of the moment of subscription.

minus:

(ii) the total number of outstanding Units in that Series at the end of the month.

The calculated performance fee will not be due, in case the Net Asset Value per Series on the date on which the calculation is made is lower than the "High Watermark" (the highest Net Asset Value per Series in the preceding existence of the Fund). Accordingly, performance fees (and reservations made in respect thereof) may differ depending on the moment an investor has invested in the Fund. In order to prevent these inequities, different Series are issued. Specific Series may be converted into other Series if the inequities for performance fee in relation to the historic high watermark calculation have been balanced out. A reservation for the performance fee is made in the calculation of the Net Asset Value of the respective Series. Performance fees may differ depending on the moment an investor redeems from the Fund. A redemption from an investor may trigger a performance fee payment in case the Net Asset Value at redemption exceeds the High Watermark.

## Aescap Life Sciences

### Notes to the Profit & Loss Account

#### 11.2 Other expenses

	<u>01-01-22 / 31-12-22</u>	<u>01-01-21 / 31-12-21</u>
Administration Fee	82,427	122,611
Audit Fee *	20,226	20,309
Custodian, Depositary and Legal Owner Fee	42,764	58,814
Other	53,819	42,068
	<u>199,236</u>	<u>243,802</u>

\* The audit fees fully relate to the audit of the financial statements of the fund. The auditor provides no other services.

#### Ongoing Cost Figure (OCF)

The OCF is calculated by dividing the total expenses (performance fee excluded) by the Average Net Asset Value. The Average Net Asset Value is based on the number and frequency of NAV Calculation. The Average Net Asset Value for the reporting period for Aescap Life Sciences Investors Unit Class (Lead Series) equal to € 85,831,599 and the management fee for this Unit Class during the reporting period equal to € 1,288,528 resulting in 1.5% for management fees for Aescap Life Sciences Investors Unit Class (Lead Series). The Total other expenses for the reporting period for Aescap Life Sciences Investors Unit Class (Lead Series) equal to € 149,241 resulting in 0.17% for other expenses based on an average Net Asset Value of € 85,831,599. This results in a total OCF figure of 1.68% for the reporting period for Aescap Life Sciences Investors Unit Class (Lead Series).

For the reporting period the OCF of the fund is equal to: 1.5% (2021: 1.63%).

For the reporting period the OCF (including performance fee) of the fund is equal to: 1.5% (2021: 1.65%)  
It should be noted that the OCF definition does not include performance fees.

In the prospectus the OCF of the fund is estimated to be 1.606% per annum, assuming an average Net Asset Value of the fund of € 150 million (1.598% for a Net Asset Value of the fund of € 250 million). The OCF figures as disclosed above are valid for the Aescap Life Sciences Investors Unit Class whereas the fund management shares do not have management fees and performance fees included.

#### Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio is calculated as follows: the total sum of purchases plus sales minus subscriptions minus redemptions divided by the average Net Asset Value. The average Net Asset Value of the Fund for the reporting period is calculated as described in the Ongoing Cost Figure paragraph.

PTR of the fund for the reporting period equals to: 141.80% (2021: 124.70%).

#### Contractual agreement Depositary

The Fund has entered into a depositary agreement with Darwin Depositary Services B.V.. For the Depositary Services the Depositary charges an annual amount equal to:

1. 0.014% of the Net Asset Value of the Fund for the Fund having a Net Asset Value of up to EUR 250 million and;
2. 0.012% of the Net Asset Value of the Fund for the Fund having a Net Asset Value between EUR 250 million and EUR 350 million and;
3. 0.01% of the Net Asset Value of the Fund for the Fund having a Net Asset Value above EUR 350 million.

When exceeding a layer threshold, the calculated amount can never be less than the total amount calculated in the previous layer. The minimum annual fee is EUR 16,500 (excluding VAT), payable quarterly in advance.

## Aescap Life Sciences

### Comparison of Real Cost with Cost According to Prospectus Aescap Life Sciences Investors Unit Class (Lead Series) \*

	According to prospectus *	Actual costs	Actual %
Management Fee (excl. VAT)	1.500%	1,288,528	1.500%
Incentive Fee (excl. VAT)	PM	-	PM
Legal Owner Manager Fee (incl. VAT)	0.008%	9,390	0.011%
Administrators Fee (excl. VAT)	0.060%	58,753	0.068%
Depository Fee (excl. VAT)	0.014%	16,182	0.019%
Audit costs (incl. VAT)	0.012%	14,417	0.017%
Miscellaneous costs – incl. write off formation expenses – (incl. VAT)	0.012%	50,499	0.059%
	<b>1.606%</b>	<b>1,437,769</b>	<b>1.674%</b>

\* As tabled in the Prospectus, OCF will be around 1.606% on an annual basis at a fund size of € 150 million. This projected OCF number is valid for the Aescap Life Sciences Investor Unit Class (Lead Series). For the reporting period the actual OCF for the Aescap Life Sciences Investors Unit Class (Lead Series) was approx. 2 basispoints higher.

### 12. Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

The Fund Manager is considered a related party. Privium Fund Management B.V. is the Fund Manager of the Aescap Life Sciences Fund.

Privium Fund Management B.V. was entitled for the following compensation in relation to the reporting period:

Management fee : € 1,475,941 (2021: € 2,400,069)

Performance fee : € 88,913 (2021: € 706,105)

### 13. Employees

The Fund has no employees.

Amsterdam, April 30, 2023

### Fund Manager

Privium Fund Management B.V.



## Aescap Life Sciences

### Other Information

#### Distribution Policy

The dividends and interest received by the Fund, as well as possible capital gains, will not be distributed but will be re-invested, unless distribution would be deemed appropriate by the Fund Manager in connection with the regulatory status of the Fund Manager.

#### Fund Managers interests in the fund

As at 31 December 2022, the number of Fund Manager related Units (Aescap Life Sciences Manager) included 11,010.1807 Units. As at 31 December 2021, the number of Fund Manager related Units (Aescap Life Sciences Manager) included 11,318.1114 Units.

The Portfolio Manager of the Fund, Patrick Krol, holds the following positions directly or through his management company as per December 31, 2022 respectively December 31, 2021 in company's in which the Fund is invested as well:

Name	Currency	31-12-22 Number of shares	31-12-21 Number of shares
Albireo	USD	-	738
ProQR Therapeutics	USD	61,713	56,713
Unicure	USD	-	3,350
Galapagos	EUR	5,240	5,240
Sanofi	EUR	500	-
Ionis	USD	-	1,420
Zai Lab	USD	450	450

#### Independent Auditor's report

Find enclosed the Independent Auditor's report on next page.

## Independent auditor's report

To the participants of Aescap Life Sciences

### Report on the audit of the financial statements 2022 included in the annual report

#### Our opinion

We have audited the financial statements 2022 of Aescap Life Sciences, based in Amsterdam.

In our opinion the financial statements give a true and fair view of the financial position of Aescap Life Sciences as at 31 December 2022 and of its result for 2022 in accordance Part 9 of Book 2 of the Dutch Civil Code.

The aggregated financial statements comprise:

1. the balance sheet per 31 December 2022;
2. the profit and loss account for 2022; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Aescap Life Sciences in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

## **Audit response to the risks of fraud and non-compliance with laws and regulations**

*We refer to page 24 of the report for management's fraud risk assessment.*

In our audit we had attention for the risks of management override of controls and the risks of fraud in revenue recognition. We rebutted the presumed fraud risk on revenue because of the nature of the transactions. Revenue consist of returns of investments in listed stocks.

We have evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. We have, among others, performed journal entry testing procedures based upon risk criteria and paid attention to the appropriateness of journal entries in the general ledger and other adjustments made in the preparation of the financial statements. We also tested significant transactions, if any, outside the normal course of business. Furthermore, we have performed other specific relevant audit procedures.

### *Compliance with laws and regulations*

We have obtained an understanding of the relevant laws and regulations in accordance with auditing standards and NBA Practice Guide 1142. The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the Fund is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

- the requirements by or pursuant to the Act on Financial Supervision (Wet op het financieel toezicht);
- the anti-money laundering laws and regulations.

We held enquiries with management as to whether the entity is in compliance with these laws and regulations. We also held an inspection of relevant correspondence with regulatory authorities. We also remained alert to indications of (suspected) non-compliance throughout the audit, held enquiries with the external depositary, the compliance officer and obtained a written representation from management that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

## *Our observations*

The aforementioned audit procedures have been performed in the context of the audit of the financial statements. Consequently they are not planned and performed as a specific investigation regarding fraud and non-compliance with laws and regulations. Our audit procedures have not led to any findings.

## **Going concern**

In preparing the financial statements, the manager must consider whether the fund is able to continue as a going concern. Management must prepare financial statements on the going concern basis unless management intends to liquidate the company or cease operations or if termination is the only realistic alternative.

The manager has not identified any circumstances that could threaten the continuity of the company and thus concludes that the going concern assumption is appropriate for the fund.

Our audit of the financial statements requires us to determine that the going concern assumption used by management is acceptable. In doing so, based on the audit evidence obtained, we must determine whether there are any events or circumstances that might cast reasonable doubt on whether the company can continue as a going concern.

## *Our observations*

Most importantly, we have assessed that the structure of the fund limits the going concern risk as the fund only invests in liquid assets and is not leveraged with external debt. Based on the procedures performed by us, we are of the opinion that the financial statements have been properly prepared on the going concern basis.

## **Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the general information, profile, overview (key figures) Aescap Life Sciences, profile & structure and management report; and
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities regarding the financial statements

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We confirm to management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 30 April 2023

Mazars Accountants N.V.

L. Zuur MSc RA

**Aescap Life Sciences****Annex 1: Investment Portfolio as per December 31, 2022**

Name	Currency	Holding	Market value (EUR)	Percentage
NOVARTIS AG-REG	CHF	120,378	€ 10,163,021	7.93%
GENMAB A/S	DKK	13,000	€ 5,140,986	4.01%
ALMIRALL SA	EUR	449,071	€ 4,059,602	3.17%
ARGENX SE	EUR	3,146	€ 1,095,752	0.85%
EUROAPI SASU	EUR	329,375	€ 4,561,844	3.56%
EVOTEC SE	EUR	304,106	€ 4,640,658	3.62%
GALAPAGOS NV	EUR	80,584	€ 3,332,148	2.60%
SANOFI	EUR	158,847	€ 14,270,814	11.13%
UCB SA	EUR	75,618	€ 5,562,460	4.34%
GSK PLC	GBP	40,000	€ 649,795	0.51%
CALLIDITAS THERAPEUTICS-B	SEK	64,457	€ 534,104	0.42%
ALBIREO PHARMA INC	USD	300,252	€ 6,061,136	4.73%
ARGENX SE - ADR	USD	8,208	€ 2,904,658	2.27%
ARROWHEAD PHARMACEUTICALS IN	USD	195,896	€ 7,422,272	5.79%
IONIS PHARMACEUTICALS INC	USD	133,824	€ 4,721,656	3.68%
MERCK & CO. INC.	USD	92,156	€ 9,551,339	7.45%
MODERNA INC	USD	15,200	€ 2,550,419	1.99%
PROQR THERAPEUTICS NV	USD	4,765,659	€ 16,471,685	12.85%
ULTRAGENYX PHARMACEUTICAL IN	USD	91,753	€ 3,970,964	3.10%
UNIQUIRE NV	USD	259,698	€ 5,499,630	4.29%
VERTEX PHARMACEUTICALS INC	USD	28,000	€ 7,553,330	5.89%
ZAI LAB LTD-ADR	USD	240,683	€ 6,902,352	5.38%
<b>TOTAL INVESTMENTS</b>			<b>€ 127,620,625</b>	<b>99.56%</b>
CASH AT BANKS, RECEIVABLES AND CURRENT LIABILITIES			€ 566,027	0.44%
<b>TOTAL NET ASSET VALUE</b>			<b>€ 128,186,651</b>	<b>100.00%</b>

**Currency exposure investments (% of total investments)**

CHF	7.96%
DKK	4.03%
EUR	29.40%
GBP	0.51%
SEK	0.42%
USD	57.68%
	<u>100.00%</u>

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: **Aescap Life Sciences**

Legal entity identifier: **724500AO3EDDBEC5L113**

## Environmental and/or social characteristics

### Did this financial product have a sustainable investment objective?

**Yes**

It made **sustainable investments with an environmental objective: \_\_\_%**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective: \_\_\_%**

**No**

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 48% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

#### *Percentage of investee companies researching, developing or producing treatment for diseases with a high unmet medical need*

Companies that research, develop, or produce treatment/solutions for diseases with a high unmet medical need is the main focus point of the funds' investments. These types of diseases are characterized by: (inadequacy of) available treatments, severity of impact on the patient, and the impact on the healthcare system in the system in the geographies the company currently markets or plans to market or distribute its current or future product(s).

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.



We consider that a company qualifies to contribute on this criteria among the fund's investments if:

For a company with product(s) on the market that has been profitable in the past 3 years:  $\geq 50\%$  of the products it markets are aimed at treating diseases with a high unmet medical need.

For an unprofitable company with product(s) on the market or for a company without product(s) on the market:  $\geq 50\%$  of its pipeline programs and products on the market are aimed at treating diseases with a high unmet medical need

If a company qualifies, then the actual percentage of pipeline programs and/or products on the market addressing a high unmet medical need will be used in the calculation of how much of the fund AUM is contributing to this goal, proportionate to that company's weight in the portfolio.

If a company does not qualify, then it counts for 0% to the fund's contribution to the high unmet need goal.

In the above items, by product on the market, we mean a product marketed by the company or a product marketed by a partner/distributor from which the company derives any financial interest tied to sales (milestones payments, royalties, etc.)

In the above items, when we look at approved indication(s) of product(s), should there be difference between labels in different geographies/regulations, we take the indication with the broadest population approved to assess.

#### ***Progress on ESG best-practice engagement following a sustainable investment strategy***

The companies the Fund invests in should not only have strong financials, good management and comply with the regulations, but they should also continue to improve their Environmental, Social and Governance (ESG) performance wherever possible. The Portfolio Manager has a long history of investing in- and engaging with biotech companies. Engagement with companies can be very effective and can have a concrete and direct impact on their policies and practices. This not only benefits the company, but all stakeholders and ultimately society at large.

Findings from the ESG material risk analysis and Do No significant Harm analysis are combined to inform the engagement priorities for a portfolio company

#### ● ***How did the sustainability indicators perform?***

##### ***Percentage of investee companies researching, developing or producing treatment for diseases with a high unmet medical need***

*Based on the portfolio holdings per December 31, 2022, 82% of the Fund's Net Asset Value was invested in companies that are researching, developing or producing treatment for diseases with a high unmet medical need. This represents 83% of the invested capital of the Fund.*

##### ***Progress on ESG best-practice engagement following a sustainable investment strategy***

*In 2022, the Fund has engaged with 11 of the 21 portfolio companies it counted as of December 31, 2022. The other portfolio companies had information readily available from their website or relevant company filings. Of the 11 companies the Fund engaged with, 3 required multiple extensive discussions, first to raise awareness around new regulations, and second to define a common deadline for ESG data disclosure.*

*While the Fund realizes that it has limited impact on large companies, its impact on smaller companies is noticeable. For some of our portfolio companies, our inquiries regarding ESG topics triggered internal reviews, something that we believe will contribute to the increased awareness and action on ESG within our industry.*

*So far, no company disclosures have forced us to reconsider our investment position. If a company were to disclose such information, multiple steps would be taken before we reach this last step: (i) direct contact with company to flag the issues and discuss their intentions on resolving them (ii) continue discussions and make clear that continued breach of our ESG principles could lead to position divestment (iii) making use of our ownership % to vote relevant resolutions during shareholder meetings (iv) position divestment (after 3 years of breach and no effort undertaken to solution the issue).*

*One company is still drafting its ESG report and was not able to provide answers to dedicated questions since it was only officially incorporated as a standalone company in 2022. The company mentioned to us it will produce an ESG report in 2023, we will check the report and engage with the company should there be any delays, actions or statements that go against the fund's ESG principles.*

***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

*Aescap Life Sciences investigated the processes and policies of all its investments on common environmental and social risks in the biotechnology sector as defined by the Sustainability Accounting Standards Board (SASB) and by the Principal Adverse Impact (PAI) indicators. If the investment did not report or was not deemed by the fund to be improving in the SASB/PAI listed relevant risks, then the investment is not counted as sustainable. In addition, the Fund excluded potential investments with a history of poor performance on sector best practice, that have insufficient policies or that have insufficient plans to improve their social and environmental impact.*

*How were the indicators for adverse impacts on sustainability factors taken into account?*

*Specifically, the fund has identified the PAI indicators to be “very important” or “important”, respectively based on their relevancy to the biotechnology sector and the specific areas where a company is most likely to do significant harm. Two of the mandatory PAI indicators are not deemed relevant for the companies within the scope of investment of the fund. The Fund's PAI statement, available on the website of the Fund and the website of the AIFM, contains a detailed explanation of the PAIs identification. If an investment is at risk of having a negative impact on more than 1 of the very important*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*indicators or on 5 or more of the important indicators, then the investment may be doing significant harm and therefore was not classified as sustainable. It may still contribute to the fund's social characteristic, however.*

— — Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

*Each analysis included a scan for violations of OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights and for processes and compliance mechanisms that each investment needs to have. More broadly, the totality of the questions and risk factors taken into account in each analysis are aligned with the UNGC and OECD general principles : human rights (e.g. inclusion in clinical trials and access to medicine, diversity and inclusion), labour (e.g. employee recruitment, development and retention), environment (e.g. PAI indicators and animal welfare), and anticorruption (e.g. ethical marketing, business ethics).*



### **How did this financial product consider principal adverse impacts on sustainability factors?**

Considering the Fund's focus on biotechnology, the Fund assesses the material ESG risks as identified by SASB for this sector. For each of the SASB risks, the Portfolio Manager developed a more granular description to better align with biotechnology terminologies.

Human Rights & Community Relations = Inclusion of patients in need and outreach to lower income countries in clinical trials	Product Quality & Safety = Counterfeit products and product recalls
Access & Affordability = Access and affordability of medicines	Customer Welfare = Patient follow up and support
Selling Practices & Product Labelling = Ethical marketing	Supply Chain Management = Bioethics and Supply chain management
Employee Engagement, Diversity & Inclusion = Diversity & inclusion in the biotech industry	Business Ethics = Business Ethics

In some cases, an investee company may fall under a different SASB sector, resulting in different material ESG risks.

The material ESG risks also inform which PAIs which are deemed to be most material for the Fund's analysis. The voluntary social PAI (Insufficient whistleblower protection) is selected based on the same principle. It is related to multiple material SASB ESG risks as product and research quality, safe and responsible clinical trials and strong relations with patients, employees and other stakeholders are the foundation for all companies in the healthcare sector. Strong whistle blower policies and protection is a clear indicator of a company's commitment to high standards in this area and therefore selected as the voluntary social PAI.

The voluntary environmental PAI (Breakdown of energy consumption by type of non-renewable sources of energy) is informed by the Portfolio Manager's belief that

biotechnology companies may generate improvement of their carbon footprint by considering the scope of their use of non-renewable energy in office buildings, research centres and production facilities where applicable. By requesting this datapoint from the portfolio companies, the Fund aims to increase awareness and support improvement.

Mapping the PAIs to the SASB material risks for the biotechnology sector results in the following prioritization of principal adverse impact factors:

- Very important
  - Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.
  - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
  - Unadjusted gender pay gap.
  - Board gender diversity.
  - Insufficient whistleblower protection
- Important
  - GHG emissions
  - Carbon footprint
  - GHG intensity of investee companies
  - Share of non-renewable energy consumption and production
  - Energy consumption intensity per high impact climate sector
  - Activities negatively affecting biodiversity-sensitive areas
  - Emissions to water
  - Hazardous waste and radioactive waste ratio
  - Breakdown of energy consumption by type of non-renewable sources of energy
- Not applicable
  - Exposure to companies active in the fossil fuel sector
  - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)

The two PAIs that are deemed not applicable are due to the Fund's investment strategy which limits the investable universe to biopharmaceutical companies and diagnostics and/or medical device companies only, thereby excluding activities in the two sectors above.

While the selected voluntary PAIs always remain applicable, investee companies that fall under a different SASB sector may have a different prioritization of PAIs. This is determined on a case-by-case basis.

If the Portfolio Manager's analysis concludes that an investment is at risk of doing significant harm on more than 1 of the very important indicators or on 5 or more of the important indicators, then the investment cannot be classified as sustainable. If data about the company's commitments, processes, or policies on a PAI is not directly available from the company, industry databases or public news sources, the company is assumed to be at risk of doing significant harm on that PAI. Currently the Portfolio Manager does not consider third-party data in their analysis.



### What were the top investments of this financial product?

Average weight of the 15 largest Fund positions over 2022

Largest investments	Sector	% Assets	Country
<i>Sanofi</i>	<i>Health care</i>	<i>7.1%</i>	<i>France</i>
<i>Merck &amp; Co</i>	<i>Health care</i>	<i>7.0%</i>	<i>United States</i>
<i>Vertex Pharmaceuticals</i>	<i>Health care</i>	<i>6.3%</i>	<i>United States</i>
<i>Zai Lab</i>	<i>Health care</i>	<i>6.1%</i>	<i>United States/China</i>
<i>ProQR Therapeutics</i>	<i>Health care</i>	<i>5.7%</i>	<i>Netherlands</i>
<i>Albireo Pharma</i>	<i>Health care</i>	<i>5.7%</i>	<i>United States</i>
<i>Argenx</i>	<i>Health care</i>	<i>5.4%</i>	<i>Netherlands</i>
<i>Novartis</i>	<i>Health care</i>	<i>5.3%</i>	<i>Switzerland</i>
<i>Arrowhead Pharmaceuticals</i>	<i>Health care</i>	<i>5.2%</i>	<i>United States</i>
<i>uniQure</i>	<i>Health care</i>	<i>5.1%</i>	<i>Netherlands</i>
<i>Ionis Pharmaceuticals</i>	<i>Health care</i>	<i>4.4%</i>	<i>United States</i>
<i>Evotec</i>	<i>Health care</i>	<i>4.0%</i>	<i>Germany</i>
<i>Ultragenyx Pharmaceutical</i>	<i>Health care</i>	<i>3.9%</i>	<i>United States</i>
<i>Genmab</i>	<i>Health care</i>	<i>3.8%</i>	<i>Denmark</i>
<i>Apellis Pharmaceuticals</i>	<i>Health care</i>	<i>3.1%</i>	<i>United States</i>

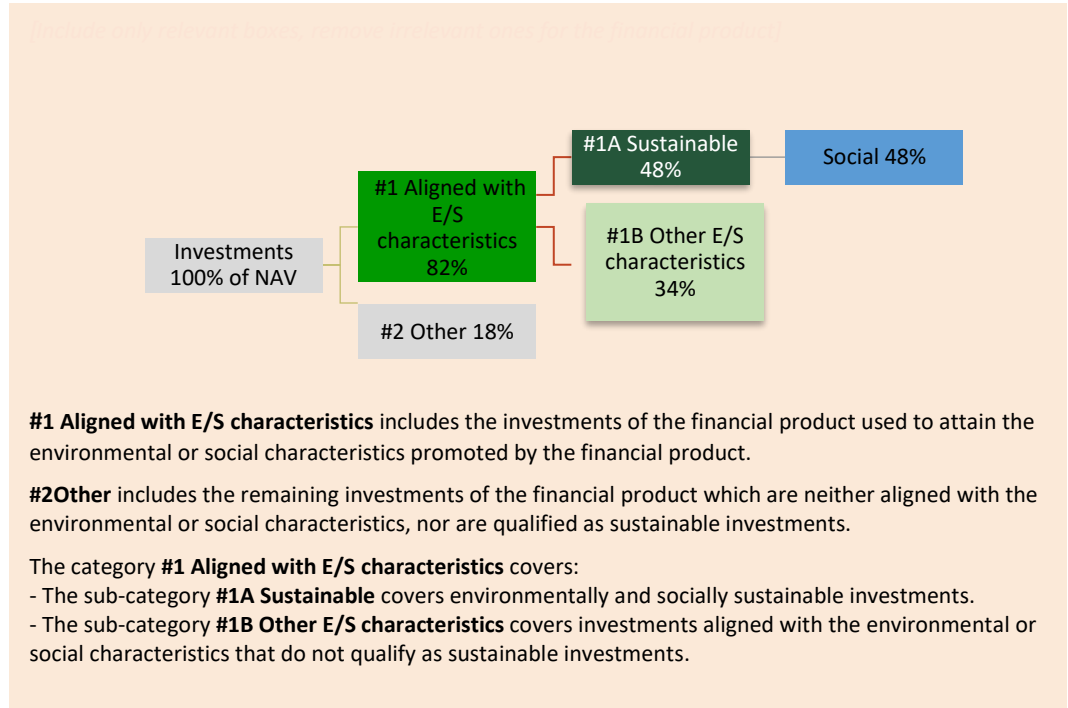
The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: January 1, 2022 – December 31, 2022



## What was the proportion of sustainability-related investments?

48% of the portfolio's Net Asset Value was invested in companies that are marked as sustainable.

### ● What was the asset allocation?



### ● In which economic sectors were the investments made?

In 2022 Aescap Life Sciences invested in publicly traded shares of companies active in the health care sector. It invested in highly innovative companies that develop and market new medical treatments and therapies.

The Fund had a focused portfolio, investing in 24 companies on average in 2022. Most of its investments were made in companies located in Europe and Northern America given the innovation power in biotech in these markets.



## What was the share of socially sustainable investments?

Of the Fund's total holdings per December 31, 2022, 48% was socially sustainable (based on the Net Asset Value of the Fund).



## What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

The 18% of the Fund's total holdings per December 31, 2022 listed under "#2 Other" consists of the Fund's cash holdings and assets that do not align with the Fund's social characteristics.

The non-aligned assets are counted as follows:

1) Investee companies that research, develop, or produce treatment/solutions for diseases with a high unmet medical need for less than 50% of their revenue or research pipeline.

2) The remaining percentage of treatment/solutions of companies that align with the Fund's social characteristics for more than 50% but less than 100%.

These companies are still very innovative in the biotechnology space and are selected for the part of their portfolio that does align with the Fund's social characteristics or because they develop products or activities that enable other companies in the sector to do so.

Analysis on non-aligned assets is the same as on aligned assets and if there is reason to engage, this will be done in a similar way. All non-aligned assets passed the good governance screening which considers the minimum safeguards that the Fund requires for investment.



### **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The fund actively selects companies that meet its social characteristics. This requires extensive analysis of the company's revenue and treatment pipeline to ensure only treatments for diseases with a high unmet medical need are counted for their contribution.

The prioritization of the principal adverse impact factors directly informs the Fund's focus points for engagement. Depending on how far along the company is in its progress, engagement will first focus on disclosure and reporting and subsequently on improvement of outstanding issues.

Of the 11 companies the Fund engaged with, 3 required multiple extensive discussions, first to raise awareness around new regulations, and second to define a common deadline for ESG data disclosure.

While the Fund realizes that it has limited impact on large companies, its impact on smaller companies is noticeable. For some of our portfolio companies, our inquiries regarding ESG topics triggered internal reviews, something that we believe will contribute to the increased awareness and action on ESG within our industry.