

LSP Life Sciences Fund

Monthly Report August 2017

LSP
CONNECTING INVESTORS TO INVENTORS

NAV per Share € 219.87

Performance

YTD	1 Month	3 Months	1 Year	2 Years	3 Years
29.8%	3.8%	7.8%	24.6%	2.2%	37.8%

NAV of Fund	67,620,743
Number of Shares	307,544
Valuation Date	31/08/2017

Top-5 performers

1. Evotec	32.3%
2. CytomX Therapeutics	28.1%
3. Clinigen Group	11.3%
4. Tetrphase Pharmaceuticals	6.7%
5. Aerie Pharmaceuticals	5.6%

Inception date:	27/04/2011
Currency:	Euro
Domicile:	The Netherlands
Legal Structure:	Dutch NV with variable capital
Listing:	Euronext Amsterdam
Euronext code:	LSP
ISIN Code:	NL0009756394
Bloomberg:	LSP NA

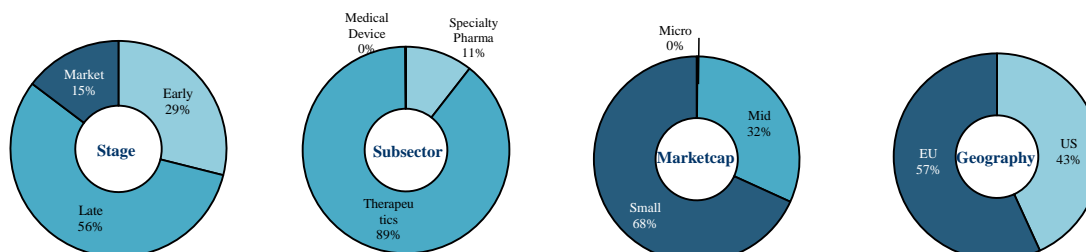
Investment strategy

The Fund's primary investment objective is to achieve capital appreciation by investing in a diversified, yet concentrated portfolio of publicly listed life sciences companies (including biopharmaceutical-, specialist pharmaceutical-, medical device-, drug delivery-, vaccine- and diagnostic companies). The majority of the Fund's portfolio will consist of European companies listed on one of the (main) European stock exchanges, with a market capitalization of below € 2.5 billion at the time of investment.

Manager's comments

The second half of the year the fund got off to a good start bringing year-to-date net return to +29% by the end of August. Evotec from Germany being the top performer. As we have described in the monthly report back in March, Evotec is a biotech with a unique business model. It is based on the concept of offering a comprehensive array of early stage R&D services to the biotech and pharma industry, while reinvesting profits from that business in its own internal drug pipeline. Thus creating additional long term value. While this model is not one of a kind, the fact that Evotec builds its own pipeline by establishing collaborations with high-profile academic institutes and innovative early-stage companies at an early stage of the drug development value chain, does make it unique. The services model generated revenues of some EUR 160 million in 2016 at a gross profit of EUR 60 million. Growth has been very impressive, almost doubling its revenues in the past three years. Its market capitalization stood at EUR 1.3 billion at the end of March and has doubled in the past 5 months to over EUR 2.7 billion. The fund did take some profit in the name simply to reduce the size of the position in the portfolio, but due to further appreciation it is once again one of the largest positions in the fund. During the month, Evotec made a number of announcements, including a new collaboration, clinical progress in one of its partnerships and the closing of a significant unsecured long term loan of EUR 75 million awarded by the European Investment Bank. It is the largest such loan ever awarded to a biotechnology company. All of this adds to the strength of the fundamental investment case. Another investment that we briefly highlighted in our July report – Zynerva – was one we had decided to liquidate prior to expected read-out of key clinical data in August. This decision to divest was driven by a re-assessment of the investment case as well as new insights in the field of epilepsy, in which Zynerva operates. In line with company guidance, clinical data of their lead drug was indeed made public in August, after the Fund had liquidated its position. Data – unfortunately for the company and the patients participating in their trial – came out negative. The company's drug in development – a synthetic cannabinoid targeting refractory epilepsy – did not meet its primary or secondary endpoints. Most importantly, it did not show reduction in seizure frequency over placebo meaning that the effectiveness of the drug could not be shown. Obviously, given the importance of this one drug for the company's potential, the Street reacted negatively to this news and the stock lost a significant portion of its value overnight. Although we would have wished the company would have been able to show efficacy of its drug in this severe and debilitating disease setting, our analyses were correct and we were right in liquidating the holding back in July. Looking ahead to September and October, we anticipate significant news flow from the portfolio companies, most notably from Versartis and from Ablynx. Furthermore, we are continuing the search and assessment of new and exciting investment ideas to add in the coming months.

Portfolio breakdown



LSP Life Sciences Fund



Portfolio breakdown

Company	Stage	Subsector	Marketcap	%
Clinigen Group	Market	Specialty Pharma	Small	10.1%
Evotec	Early	Therapeutics	Mid	9.9%
CytomX Therapeutics	Early	Therapeutics	Small	9.4%
Versartis	Late	Therapeutics	Small	8.5%
Morphosys	Late	Therapeutics	Mid	8.3%
arGEN-X	Early	Therapeutics	Small	8.3%
Aerie Pharmaceuticals	Late	Therapeutics	Mid	8.1%
Tetraphase Pharmaceuticals	Late	Therapeutics	Small	7.6%
Erytech Pharma	Late	Therapeutics	Small	6.6%
Ablynx	Late	Therapeutics	Small	6.6%
Achaogen	Late	Therapeutics	Small	4.7%
GW Pharmaceuticals	Market	Therapeutics	Mid	3.9%
Syndax Pharmaceuticals	Late	Therapeutics	Small	2.9%
Probiodrug	Late	Therapeutics	Small	0.4%
Sphere Medical	Market	Medical Device	Micro	0.1%

Important information

LSP Advisory B.V. (as Fund Manager) and the LSP Life Sciences Fund N.V. (the Fund) have a license and are registered pursuant to the Dutch Act on Financial Supervision and are supervised by the Stichting Autoriteit Financiële Markten (Dutch Authority for the Financial Markets) and De Nederlandsche Bank N.V. (the Dutch Central Bank). This presentation is solely for information purposes and is not intended as advice in any way. The Fund Manager and the Fund cannot be held liable or responsible for the content of this presentation. Potential investors are advised to contact their investment- and fiscal advisor prior to taking an investment decision. There are risks involved in the investment. The value of the investment can fluctuate. Results achieved in the past offer no guarantee for the future. A Key Investor Information Document is also available for this product with information about the product, the costs and the risks involved. Read it before you invest in the product. The prospectus and the Key Investor Information Document of the LSP Life Sciences Fund can be downloaded via www.lspvc.com/funds/public.html

In Switzerland, the Fund may only be offered or distributed to qualified investors. For this, the Fund has appointed as Swiss Representative Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland, Tel: +41 21 311 17 77, email: info@oligofunds.ch. The Fund's paying agent is Banque Cantonale de Genève. Any Fund Documentation may be obtained free of charge from the Swiss Representative in Lausanne.