Quarterly Update: Q4 2020

Q4 +12.7%, Looking Back on 2020

Also for Aescap 2.0, 2020 was a roller coaster year. The fund was at an all-time high mid-February with a net performance of +5% for the year, after which it went down to -31% in mid-March, to then end the year at -3%. We are far from happy with this performance, especially if we look at the value creation across our portfolio companies. New and existing investors invested over € 35M during the year. The fund grew from EUR 179M to 210M.

The 10% decline of the US dollar versus the euro over 2020 was an important negative contribution to our performance. With 81% of our assets under management being invested in dollars at the end of the year, the decline of the dollar had a serious impact.

The Corona pandemic resulted in delays of clinical studies, and therefore also of product approvals. This also had an impact on the performance of the fund, despite the adjustment of our portfolio positions according to our early estimations of the impact this would bring to our companies. Looking back, we should have taken more rigorous measures and divested some more companies, whose clinical trials in hindsight had a long-term exposure to the pandemic. At the time, we and our advisors did not expect such a long period of disruption for hospitals and therefore clinical studies.

Covid-19 Vaccine Companies

What we saw during the first half of the year was that when companies announced they would start working on a vaccine or therapeutic for Covid-19, their share prices immediately skyrocketed to irrational valuations. At these moments, there were no data to build conviction on

the efficacy or safety of these medicines, yet investors priced these companies as if there was no risk attached to the development of these vaccines and as if they were already on the market and selling. With over 200 Covid-19 vaccines in development in Europe and the US, one could not make a profitable long-term investment case, since only a handful of companies will get their vaccines successfully on the market.

We do not have a short-term focus, because this would be in conflict with our strategy of investing based on fundamentals and with high conviction. Although we aim at generating a positive performance quarter after quarter, we are aware that this cannot always be the case. However, we have a very strong conviction that our current portfolio of companies will reach their full potential.

Instead of gambling on one or more winners of the Covid-19 vaccine race, we have for example invested in a vaccine manufacturer that has recently closed supply agreements with vaccine developers at very favorable terms. With a serious shortage in production capacity, we believe they are positioned favorably to profit from the current situation. These contracts came with fixed upfront payments to reserve a production slot, independent of whether the vaccine will be approved.

This company, called Oxford Biomedica, also develops a broad range of gene therapy products for diseases with a high unmet medical need themselves. This in addition to the 22 gene therapy clinical products that already have been out-licensed.

Value Creation Over 2020

Despite the underperformance of the companies in our portfolio, they generated substantial value throughout the year. For a few of these companies we already saw the realization of this value in the stock price, but for most we are still waiting for the value to be recognized by other investors as well. Examples of these value creation events are license deals, positive clinical trial readouts, and product approvals. For example, a very efficacious medicine developed by one of our portfolio companies was approved for the treatment of brain cancer in children. Another one enables kidney transplantations in patients that were not eligible for transplantation before, and another medicine substantially extends the life of children living with a deadly disease due to which they age at a very fast pace.

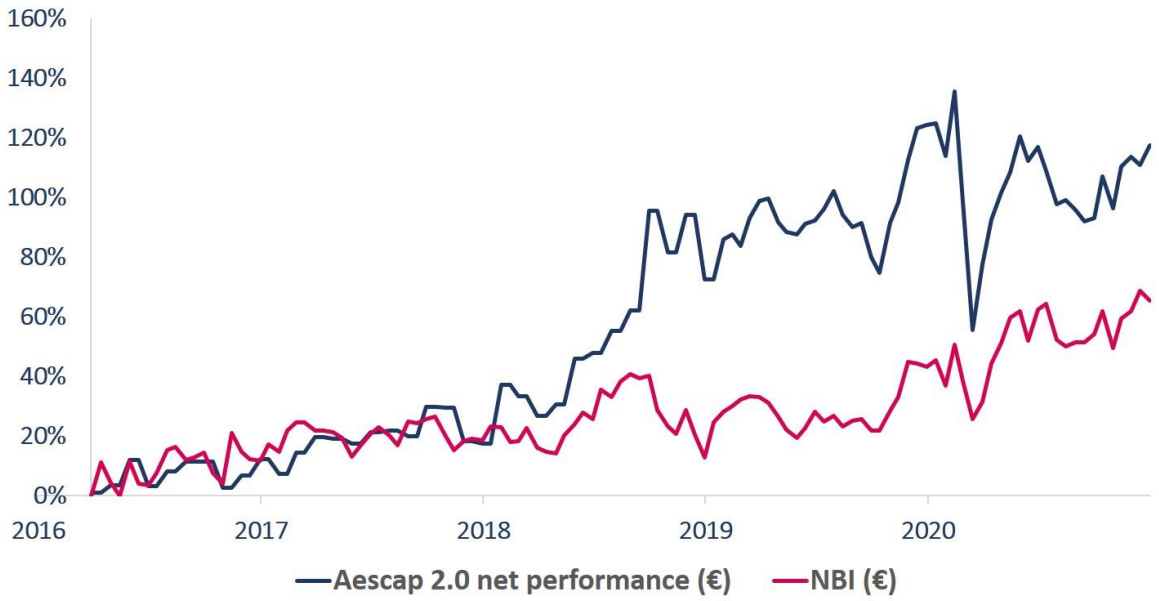
Stock Lending

We are often asked if we want to lend out our shares of the different companies in our portfolio at serious returns and we saw many of our peers started doing so. The prospectus of Aescap 2.0 does not allow us to do so and we have no intention to change that for the following reasons. Especially in the biotech market, lending shares to hedge funds and others that use them to short a stock can hamper, or even fully destroy, companies that develop valuable medicines for people that currently have no alternatives to treat their disease properly. Another good reason to not lend out our shares is that in the event banks would get into trouble, your shares and money could be quickly gone. We aim at working for our investors for a long period of time and therefore we refrain from taking unnecessary risks.

Net Performance (from inception at March 28, 2016)

Unit Value per December 31, 2020:
€ 2.173,9341

Since Inception	2020	1 month	1 year	2 years	3 years
+ 117,4%	- 3,0%	+ 1,8%	- 3,0%	+ 26,0%	+ 85,1%



Fund Breakdown per December 31st

Assets under Management:
€ 209.693.074

Location (based on value):

Europe:	28%
US:	63%
Asia:	9%

Invested per Currency:

USD:	80%
EUR:	7%
DKK:	5%
SEK:	3%
GBP:	5%

Top-5 Performers

1. **Arrowhead Pharmaceuticals** + 78%
2. **Amicus Therapeutics** + 64%
3. **Myokardia** + 63%
4. **Zai Lab** + 63%
5. **Eiger Biopharmaceuticals** + 51%

Portfolio Highlights

Galapagos (-34%)

Galapagos experienced another setback in Q4, with its partner Gilead announcing it is not going to pursue additional clinical studies to support a potential approval of Jyseleca for the treatment of rheumatoid arthritis (RA) in the US. Upon this decision Galapagos was able to regain the full rights to Jyseleca in Europe where the product has been launched in Germany and the Netherlands already.

With Gilead deciding not to launch Jyseleca for the treatment in the US, significant value within Galapagos is eliminated given the company and investors were counting on royalties and milestone payments related to it. Although Galapagos will bare 100% of the fruit from sales of Jyseleca in Europe it will also have to pay for the related costs and Galapagos expects that it will take until 2024 before Jyseleca will add positively to the company's profit & loss account.

Galapagos will take responsibility for ongoing clinical studies in RA and RA related diseases and will receive a payment of $ 160 million from Gilead to cover the costs involved over 2021-2022.

Gilead will continue to be responsible for the sales of Jyseleca in Japan and has partnered with local player Eisai to do so best. Gilead will continue with the development of Jyseleca for all markets including the US for diseases such as ulcerative colitis and Crohn's disease.

The company is trading at a value that is equal to its cash position; they have over EUR 5 billion of cash in the bank and are valued at EUR 5 billion.

Galapagos has stated it is interested to do an acquisition to bolster their product pipeline and will keep enough cash in the bank to fulfill development of their own product pipeline.

Other than Jyseleca the company has 9 products in clinical development, all of which are in phase 2 development and one is in final phase 3 development. In addition, it has 30 products in preclinical development.

Typically, when a company like Galapagos is presenting bad news several times in a row within a short time frame, the market sentiment turns negative. Our observation is that it will take a while before that sentiment

will turn, given it probably has to be driven by exceptional clinical study data from one of the other pipeline products. Such a potential event is expected earliest in the summer of 2021.

Eiger Biopharmaceuticals (+51%)

The fourth quarter of 2020 has been of crucial importance for Eiger Biopharmaceuticals. The company announced in November that the FDA approved its medicine Zokinvy, that will be launched in the US shortly, while the decision on the approval by the European Commission is expected in early 2021. This milestone is not only an important step for the company but is also the first approval of a medicine for the treatment of Hutchinson-Gilford Progeria Disease, a rare pediatric disorder that causes affected children to live only 14.5 years on average. The clinical study on which the approval was based has shown that treatment with Zokinvy reduced risk of mortality by 88%.

Along with the approval, Eiger was awarded by the FDA a priority review voucher, which can be used to obtain a shortened regulatory review period for another medicine or can be sold. Eiger chose the latter option, selling the voucher for $95 million to AbbVie.

On top of this, results from a phase 2 trial in hepatitis D infected patients showed strong results in the control of this disease, for which limited to no treatment options are available. These positive results strengthen our conviction in the ongoing phase 3 trial that, if positive, will allow the company to file for approval in both the US and EU.

Ionis Pharmaceuticals (+19%)

After a third quarter rich of important milestones, Ionis continued to execute during the fourth quarter by initiating several clinical trials with its partners as well as by presenting excellent clinical data for the treatment of high LDL-cholesterol levels. In October Ionis and its partner Biogen, a top-5 biotech company, announced that its third product for the treatment of amyotrophic lateral sclerosis (ALS), a progressive and fatal neurodegenerative disease for which there are no approved medicines at the moment, has entered the clinics. While the first two medicines are already being tested in humans for the treatment of ALS caused by specific mutations, this latest medicine has the potential to treat the majority of ALS patients, whose disease is not connected to a specific genetic mutation.

Later in the quarter Ionis and its partner Pfizer, the largest pharma company by revenue, have announced the initiation of a phase 2b trial in patients with high cholesterol levels and/or mixed dyslipidemia, on the

back of the positive results published earlier in August. Lastly, Ionis presented clinical data at the virtual American Heart Association conference along with its partner AstraZeneca, showing that their proprietary PCSK9 inhibitor has potential for best-in-class reduction of LDL-cholesterol in patients suffering from hypercholesterolemia.

These milestones added to the strong financial position of Ionis (more than $ 2 billion in the bank and no debt) and we are confident the company will deliver continued growth in 2021 and beyond. Ionis expects to have 12 or more medicines in the market by 2026, compared to the 3 they have today. Clinical data from 9 different medicines, ranging from phase 1 to phase 3 are expected throughout 2021.Three of these medicine candidates actually were expected to read out in Q4 2020 but were delayed due to Covid-19.

Arrowhead Pharmaceuticals (+78%)

The positive news flow noted in the third quarter continued in the fourth quarter for Arrowhead pharmaceuticals. The company announced a collaboration deal with large pharma company Takeda to co-develop and co-commercialize a medicine for the treatment of a rare disease called Alpha-1 antitrypsin deficiency. This deal was announced soon after Arrowhead published impressive interim results showing unprecedented efficacy in clearing toxic polymer accumulation from the liver cells of affected patients. The deal included a $300 million upfront payment, $740 million in potential milestone payments, a 50-50 profit-sharing structure for the US market and 20-25% royalties on net sales outside of the US. The company is in a solid financial position allowing them to keep on broadening its platform technology as well its already large product pipeline.

Arrowhead also presented positive clinical data for two products for the treatment of hypercholesterolemia and hypertriglyceridemia at the virtual American Heart Association conference, prompting the initiation of several late stage clinical trials for the treatment of these diseases. Despite being well characterized and heavily treated, these health conditions still are in need of a better treatment and Arrowhead’s products are well positioned to bring significant clinical benefit to patients as well as great value to shareholders.

Y-mAbs Therapeutics (+13%)

Portfolio company Y-mabs had their first product, Naxitamab, approved late November. Naxitamab is the first product being approved for the treatment of a specific type of brain cancer called neuroblastoma. Neuroblastoma is the most common form of childhood cancer in infants

under the age of one. Following Naxitamab's approval, Y-mabs received a Priority Review Voucher and sold it for €105 million.

A second product, for the treatment of metastasis from neuroblastoma is expected to be approved later this year. The company has a further 7 products in research and development. Although Y-mabs is an exciting company, we have found an even more interesting one with more financial upside and therefore have already sold most of our shares in the company after having profited from the share price increase.

Zai Lab (+63%)

Q4 was a quarter of execution for Zai Lab with many good news.

On the clinical side, Zai Lab partner Five Prime Therapeutics announced positive results in gastric or gastroesophageal junction cancer. This type of cancer is 30 times more prevalent in China than in the US, thus, it represents a significant market opportunity.

Also, 3 studies were initiated in a subset of lung cancer, gastric cancer, and endometrial cancer. Results from these studies could come as soon as 3Q21.

Zai Lab further strengthened its team with the appointment of Alan Sander, M.D, as President, Head of Global Development, Oncology. Alan Sandler will lead global oncology development and related enabling functions, to support the Company's development activities. Dr. Sandler brings nearly 30 years of oncology and drug development experience across industry and academia (Roche/Genentech, Yale).

In late December, Zai Lab announced a strategic collaboration with Cullinan Oncology for CLN-081, a potential best-in-class EGFR inhibitor targeting exon 20 insertion (Ex20ins) mutations in lung cancer. This partnership should create potential synergies with Zai Lab's existing lung cancer franchise and further strengthen its disease area stronghold in lung cancer in mainland China.

Before closing the year, Zai Lab announced that Niraparib (Zejula) had been included in the National Reimbursement Drug List. This inclusion will allow widespread distribution and prescription of Niraparib in Mainland China and should significantly increase its market potential. We will be closely looking at sales figures from Niraparib for the second half of 2020, as high sales figures will be a strong testament to Zai Lab's ability to deliver on its commercial promises.

Outlook

We are sure that the earning power of ground-breaking medicines, such as RNA and gene therapies, will generate wealth in both financial as well as social terms. Investors are talking more and more about impact investing and we cannot think of an industry having as strong an impact as the biotech industry. The development of new medicines substantially improves millions of lives of patients and their families. One of the reasons why we go to work day after day with so much enthusiasm and dedication is because we are at the heart of the development of better and often curative therapies for a large number of serious diseases.

The realization of value within a biotech company is never a linear process. Even when the proof becomes evident, it sometimes takes a while before the value increase is acknowledged by other investors. But once that occurs, people cannot wait to become part of the success. It is often soon after this moment that we will divest, since we would rather invest in an undervalued company with a high upside than an overvalued one with only a downside risk.

Aescap 2.0 is aiming for an average annualized net performance of 20% over the mid-term (4-5 years). We are eager to bring our annualized net performance back from its current 17.8% to 20%+ without taking unnecessary risks. How we are going to achieve this? By constantly investing in companies that are well managed and financed and are bringing groundbreaking medicines to people in dire need of them.

We look forward to an eventful 2021 across our portfolio.

Wishing you an inspirational 2021 in good health on behalf of the Aescap 2.0 team,

Patrick J. H. Krol
Portfolio Manager Aescap 2.0

About Aescap 2.0

Aescap 2.0 is an open-end fund investing in public biotech companies that develop and market next generation medical treatments. Within its focused portfolio of around 20 companies it diversifies over many

different diseases, development phases and geographies. Companies are selected for their growth potential ('earning power') and limited risk (technological and financial). Investors can enter and exit the fund twice per month. The selection of companies in our portfolio is based on 'high conviction' - extensive fundamental analyses combined with intense interaction with management and relevant experts. The fund's outperformance of its benchmark, the Nasdaq Biotech Index, is fueled by stock picking and an active buy and sell discipline. Biotech stocks are known for their very low correlation and high volatility, caused by media, macro-events and short-term speculative investors. This creates an ideal setting for a high conviction fund manager to invest in undervalued companies with a great mid- and long-term earning power. The fund has an average annual net performance target of 20% over the mid-term (4-5 years).

5-star Morningstar rating:

Morningstar has rated Aescap 2.0 as a 5-star investment fund, the highest possible rating given. Morningstar's rating has become the industry's leading standard for determining a fund's performance (risk/reward) relative to other funds. To rate a fund, Morningstar takes into account the long-term performance (3+ years) and only the top 10% best performing funds will receive a 5-star rating.

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Disclosures for Swiss Investors:

The Fund has appointed ACOLIN Fund Services AG, succursale Genève , 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. Banque Heritage SA, 61 Route de Chêne, CH-1207 Geneva, Switzerland is the Swiss Paying Agent. In Switzerland shares of Aescap2.0 shall be distributed exclusively to qualified investors. The fund offering documents and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to the shares of Aescap2.0 distributed in or from Switzerland is the registered office of the Representative.

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