Quarterly Report Q3, 2019

Aescap 2.0 -6,4% over Q3, versus -8,8% for the NBI

According to Investment Bank Jefferies, a specialist in the biotech market, investors have retracted a lot of money from the biotech sector over the last two weeks. The reason why investors moved out of biotech was a potential threat coming from Nancy Pelosi who, on top of opening an impeachment inquiry against US President Trump, revealed a drug pricing bill that would allow the federal government to negotiate the pricing of up to 250 medicines under Medicare and extend that price to the commercial market.

As a result of this turmoil, Aescap 2.0 went down 5,4% in September although 'the bill' might only affect one of our 22 portfolio companies. In the third quarter the Nasdaq Biotech Index (NBI) went down 8,8% and Aescap 2.0 went down 6,4%. This downward trend occurred while only few value inflection events took place in our portfolio, as highlighted below. In this regard, we'd like to reiterate that over the course of the fourth quarter there will be many clinical data read-outs presented across our portfolio (27 in total). As such we look forward to report on the value creation that should be generated by the end of the year.

Jefferies also stated that there will be many medical conferences towards the end of the year, resulting in many clinical data read-outs that will be presented. This includes those 27 clinical data read-outs in our portfolio. And in biotech those read-outs are the true value drivers.

Many of the general indices such as the S&P500, the Dow Jones and the NASDAQ are at their peaks. However, the NASDAQ Biotech index, which doesn't follow the same trend as other industries, is still 30% away from its peak in July 2015. This partially illustrates the low correlation between the biotech and other industries and why, regardless of how the general

market will perform, we look forward to this fourth quarter and the months thereafter.

Value Update

Unit Value September 30, 2019:
€ 1.799,3330

Location (based on value):
Europe: 74%
US: 23%
China: 3%

Invested per Currency:
USD: 49%
EUR: 36%
DKK: 13%
SEK: 3%

Net Performance (from inception of the fund at March 28, 2016)

Since Inception	2019	1 month	1 year	2 years	3 years
+ 79,9%	+ 4,3%	- 5,4%	- 8,0%	+ 38,8%	+ 61,6%

Top-5 Performers

1. Galapagos	23%
2. Zealand Pharma	22%
3. Merus	22%
4. Morphosys	20%
5. AGTC	10%

Portfolio Highlights

Galapagos (+23%)

On July 14th Galapagos announced a broad collaboration agreement with its existing partner, Gilead Sciences. The terms of this extensive 10-year collaboration brought Galapagos a $3.95 billion upfront payment plus a $1.1 billion equity investment at a premium from Gilead. Gilead gained an exclusive product license and option rights to develop and

commercialize all the programs currently in development as well as future programs, in all countries outside of Europe.

Furthermore, the two firms amended the existing agreement over the product filgotinib that will allow Galapagos to have a larger commercialization role within Europe. Other terms of the deal specifically involve the idiopathic pulmonary fibrosis (IPF) lead product GLPG1690 and the osteoarthritis medicine candidate GLPG1972.

With the equity investment Gilead increased its stake in Galapagos to 22%. Gilead has the option to increase its stake to up to 29.9%, however as part of this deal, Gilead also agreed to a 10-year standstill which will restrict Gilead's ability to attempt to acquire Galapagos or increase its stake beyond the 29.9% mark. We view this deal as a further confirmation of the quality and value of Galapagos' research platform and the outstanding ability of Galapagos' management to execute on their business plan.

Amarin (-22%)

One of the awaited events for the third quarter was a potential additional approval of Amarin's medicine Vascepa. Already in 2012, Vascepa was launched on the US market for the treatment of severe hypertriglyceridemia and over 2018 generated $228 million sales in the US only. In a recently finished clinical trial, Vascepa has now also shown to significantly reduce cardiovascular risks for people in whom this risk is not adequately addressed by statins alone. Amarin is now also pursuing an approval for Vascepa in this indication.

This latest trial studied 8,179 patients over a period of 5 years. Although the readout of this clinical trial showed a significant reduction in cardiovascular events versus placebo, the FDA decided they want to hold an advisory committee meeting before deciding whether or not to approve this product for the additional indication. The FDA uses committees and panels to obtain independent expert advice on for example scientific and technical matters, but this is not a standard procedure in approving a medicine.

Next to the fact that this resulted in a delay for a potential approval, this also created a new hurdle for this medicine to be potentially approved in this indication, resulting in pressure on the stock. Although the agenda will be published in November, and we therefore do not yet exactly know what will be discussed, we believe the results from the most recent phase III are very positive and convincing.

With several medical societies and associations in the US and EU already adopting Vascepa in their guidelines, we believe the likelihood of an approval is still high. The so called PDUFA date, which is the deadline for the FDA to take a decision on a potential approval, is now scheduled on December 28th.

In parallel to the request for approval in the US the company is also going to seek approval in Europe and is in discussions with potential European commercial partners. The company already has established a commercial partnership in China.

Morphosys (+20%)

During the summer Morphosys presented positive preliminary clinical data from the phase 2 L-MIND clinical study that investigated their medicine candidate tafasitamab, and has announced that this data will be the basis for the planned filing for approval in Europe to treat patients with an aggressive form of lymphoma.

Furthermore, Morphosys' pharma partner GlaxoSmithKline (GSK) has announced the initiation of a phase 3 clinical program with the product MOR-103 in Rheumatoid Arthritis. The treatment of the first patient in the trial triggered a milestone payment of €22 million. MOR-103 was licensed out to GSK in a deal struck in 2013, and was discovered by Morphosys.

Of note, September 1st marked the official starting date of the new CEO Jean-Paul Kress. We have already arranged a visit to the company's headquarters in Martinsried later this month and are looking forward to meeting Morphosys' new leader.

UniQure (-50%)

During the third quarter UniQure announced long term clinical data on its ongoing phase 2b trial in hemophilia B patients, which confirmed the previously shown efficacy as well as the good safety and tolerability of their medicine candidate. Furthermore, the company announced the full enrollment of the ongoing pivotal phase 3 trial in hemophilia B. If the data of this clinical trial will be positive, like in the phase 2b trial, the company will seek approval to launch the product. This will have a very positive impact on the lives of people suffering from the disease and its current time-consuming treatment.

During the early summer, rumors had surfaced indicating that UniQure had discussions with potential acquirers. However, in September the gene therapy company strengthened their balance sheet through a public

offering that secured $225 million in gross proceeds, which led investors to believe a deal was again off the table putting pressure on the share price.

However, we're not invested in the company for M&A rumors, but because of the solid technology, product and management. Furthermore, this capital raise significantly increases UniQure's cash runway, allowing the company to advance other pipeline medicines in Hemofilia A, Huntington's and Fabry's disease, while executing its plans for the launch of its hemophilia B medicine candidate.

ProQR (-37%)

After positive clinical data for ProQR's medicine candidate sepofarsen in September 2018 the companies' share price increased to $24. At the closing of September 2019 the share price was around $6 while in the meantime two new products have entered clinical testing and two products were span-out into two private companies called Amylon and Wings Therapeutics. ProQR holds 80% of the shares and a minority stake in those companies, respectively. Between the positive data read-out in 2018 and today only more value has been created and we therefore see the decline in share price as an irrational reaction from the market. It is important to keep in mind that sepofarsen is in development for an inherited blindness disease and has shown to be able to let these blind people see again.

In last year's positive clinical read-out for sepofarsen there were some minor side-affects ProQR believed they could still make improvements on by changing the dosing schedule and the height of the dose. The company has implemented this into their clinical trial and will report results of that trial before the end of November.

Zealand Pharma (+22%)

The third quarter of 2019 has been rich of news for Zealand Pharma. The company announced the hiring of a new chief financial officer, Matthew Dallas, who will take office starting in October 2019. Mr. Dallas has extensive experience in the biotech industry and we look forward to meeting him shortly.

Zealand together with its pharma partner Boehringer Ingelheim announced the advancement of the medicine candidate BI-456906 into a phase 2 clinical study for the treatment of obesity and diabetes. This milestone triggered a €20 million payment to Zealand and is a further recognition of Zealand's strength in peptide medicinal chemistry.

Furthermore, results from the pediatric phase 3 of Zealand's lead medicine candidate dasiglucagon for the treatment of severe hypoglycemia were announced late in September, showing the medicine achieved all its primary and key secondary endpoints. With this positive readout, the Danish company is now getting ready to file for approval to the U.S. FDA early in 2020.

Lastly, in September Zealand announced a private placement with Dutch investment firm Van Herk Groep, which yielded DKK 559.6 million (~ €75 million) in gross proceeds. This capital increase greatly strengthens the financial position of the company, who, upon approval of its lead product, will then be ready for its first commercial launch.

New Hires

On October 1st we welcomed two new hires. One might already be familiar to you, his name is Tristan Maguet and he joins the fund as an analyst. Tristan studied pharmacy in Grenoble followed by a masters in science and management at ESSEC in Paris. He worked at Aescap back in 2017/2018 after he left to finalize his study at ESSEC and worked at the French biotech fund Andera Partners, before returning to Aescap.

Claudine (Clo) Calame is joining us to take care of investor relations to serve the 130 investors in the fund and the increasing amount of wealth managers that show an interest in Aescap 2.0. Clo has a background in commercial economics and started her career at KBC bank after which she moved to the pharma industry where she worked in commercial positions for 10 years with respectively Merck, Pfizer and Roche.

Semi-Annual Meeting

With the amount of the investors in Aescap 2.0 growing steadily we will introduce a semi-annual meeting in addition to our annual meeting. In this semi-annual meeting we will present an update regarding the threats and opportunities in biotech, the status of certain ground breaking evolving technologies and more. The meeting will take place next to our office at Spaces, Barbarra Strozzilaan 201 in Amsterdam on October 30. The presentations will be given twice, from 11:00-13:00 and a second meeting from 15:00-17:00. Please R.S.V.P. to ccalame@aescap.com before October 18, for both meetings we have 35 seats available on a first come first serve basis. Parking is available under our offices (limited availability) or at 100m distance at the Q-park next to Binck bank.

Outlook

We will spend most of the coming months out in the field: attending conferences and visiting companies throughout Europe and the US, to stay up to speed with the most recent developments of portfolio companies and their competitors. But we will also be on the look-out for potential future portfolio companies. A process in which we can be very selective since we only invest in 1 out of every 40 companies in the industry to get to a portfolio of 20 companies. And as stated above, we expect important value generating announcements from our portfolio companies towards the end of 2019.

Just as a reminder, one should remember that when the world gets into a recession, revenues of biotech companies typically go unaffected because people will still seek medical treatment, covered by their health insurance, irrespective of the state of the economy. What's more, with an ageing population and emerging markets demanding access to innovative medicines, we see those revenues increasing for the coming decades. But most important for Aescap 2.0 is that we invest in companies that develop and market successful disruptive medicines. This does not only translate into financial returns, it also profoundly impacts patients' lives.

Looking forward to report to you again next month.

Best regards 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 18 companies it diversifies over different diseases, development phases and geographies. Companies are selected for their growth potential ('earning power') and limited risk (technological and financial). Investors can enter and exit the fund twice a month.

The selection of companies in our portfolio is based on 'high conviction' - extensive fundamental analyses combined with intense interaction with management and relevant experts. The fund's performance is fueled by stock picking and an active buy and sell discipline. Biotech stocks are known for their very low correlation and high volatility, caused by media, macro-events and short-term speculative investors. This creates an ideal setting for a high conviction fund manager to invest in undervalued

companies with a great mid- and long-term earning power. The fund has an average annual net performance target of 20%+ over the mid-term (4-5 years)

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 Hugo Fund Services SA, 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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