LSP Life Sciences Fund

Monthly Report November 2016

NAV per Share € 170.87

Performance

YTD	1 Month	3 Months	1 Year	2 Years	3 Years
-19.4%	0.7%	-3.2%	-19.6%	-4.2%	32.8%

NAV of Fund	64,300,074
Number of Shares	376,291
Valuation Date	30/11/2016

Top-5 performers

1. Evotec	23.1%
2. Spark Therapeutics	17.0%
3. Colucid Pharmaceuticals	16.3%
4. Kite Pharma	15.0%
5. Forward Pharma	13.2%

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

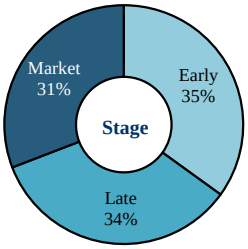
Investment strategy

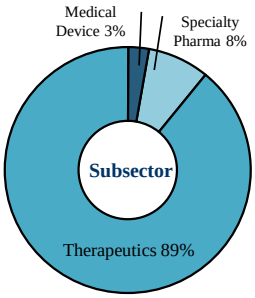
The Fund's primary investment objective is to achieve capital appreciation by investing in a diversified, yet concentrated portfolio of publicly listed life sciences companies (including biopharmaceutical-, specialist pharmaceutical-, medical device-, drug delivery-, vaccine- and diagnostic companies). 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.

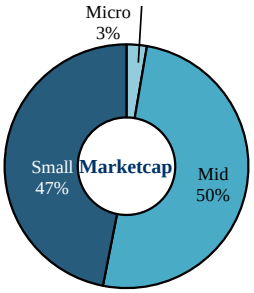
Manager's comments

Last month's report ended with the statement that potentially after November 8th, the day of the US Presidential elections, the markets would start to trade on fundamentals again and less on sentiment. Where the likelihood of a Democratic Sweep was leading investors in October to push the sell button on biotech/pharma stocks making it one of the worst months for the sector in years, the Republican win (Presidency, Senate and House) caused the opposite to happen the day after the elections. The Street felt that the uncertainty around the drug pricing debate became a less likely scenario. A rebound in biotech and pharma stocks was the immediate result. Commentators believe that the announcement of Mr Price as the new Healthcare Minister in the Trump administration, is also a positive for the healthcare industry. Still, the uncertainty around drug pricing will remain, as witnessed for example by Mr Trump's recent comments in Time Magazine where he mentions that he intends to bring down certain drug prices. As a result, we expect volatility to remain high at least until Trump takes over the Presidency and at least until there will be more clarity (i.e. less uncertainty) on healthcare related topics such as drug pricing and ObamaCare. Meanwhile, the fund's portfolio and the individual investment cases have developed largely as anticipated. Genmab reported that its key drug Darzalex received FDA approval in multiple myeloma patients who have only received one prior line of treatment, triggering a $65 million milestone payment from Johnson & Johnson and allowing Genmab to raise its financial guidance. Moreover, this approval came some three months earlier than anticipated, emphasizing the high need for the drug. We also had a negative development in our portfolio, namely Cempra, which was the month's worst performer. As a catalyst for that stock, we were awaiting the FDA Advisory panel to take place on November 4th 2016. This panel is effectively a public hearing that allows a company sponsor, such as Cempra, to present their drug dosssier to a panel of expert clinicians who are being asked to advise the FDA on the safety and efficacy of a drug – in this case Cempra's new antibiotic Solithromycin - in view of the drug obtaining marketing approval from the FDA at a later point in time. In the case of Cempra, based on all the data that had been made public by the company up to that point, the Street was largely expecting the panel to show an overall positive stance vis-à-vis the company's drug Solithromycin. In our analyses, we did identify the occurance of transient and reversible elevation of certain enzymes in the liver as being a safety issue that would surely have caught the attention of the FDA reviewers, however – based on our extensive due diligence performed on this topic and taking a great number of factors and parameters into account – we came to the conclusion that this would be unlikely to ultimately hamper the drug's chances of success. On November 2nd 2016, two days prior to the Advisory panel meeting, the documents that the FDA uses to brief the Advisory Panel were made public via the FDA's website. Indeed they showed that the liver enzyme data had also attracted the attention of the FDA reviewers. However, the documents also showed that the importance of the issue (effectively a safety aspect of the drug's profile), was greatly amplified by the FDA. In fact, it had clearly become a focal point of attention to the Agency, as exemplified by the fact that they had included an extensive report from an expert clinician who had been asked to look specifically into this matter in great detail. Importantly, through this report, it became known to the Street that more severe liver toxicity data had been generated in another, non-Pneumonia investigator driven clinical trial that was ongoing. This data had not been disclosed by the company before. This shocked the market because (a) it wondered why this data had not been disclosed and (b) it meant that the safety profile of the drug had been less well characterized than was previously assumed. This put to question the credibility of the management team but also the chances of a positive advice by the FDA Advisory Panel. As a result, the stock plummeted, ending the day 70% lower than where it was trading prior to the briefing documents becoming public. For us, these developments had a clear and negative read through for the investment case, as the drug's safety profile was potentially different from what was known to the market. As a result, it became a focal point of attention to the FDA and – hence – to the FDA Advisory Panel. Thus, at the very least, the drug's market potential had worsened. We are – of course – disappointed in this outcome. In particular because our investment case would have been different if all relevant information about the drug's safety profile had been known to the market and us. As a result, and even though the Advisory Panel voted 7-6 in favour of approval of Solithromycin, we liquidated our position on the first trading day after the panel took place.

Portfolio breakdown







Important information

LSP Life Sciences Fund

LSP
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Portfolio breakdown

Company	Stage	Subsector	Marketcap	%
Genmab	Market	Therapeutics	Mid	9.2%
Neurocrine Biosciences	Late	Therapeutics	Mid	7.5%
Clinigen Group	Market	Specialty Pharma	Small	6.9%
arGEN-X	Early	Therapeutics	Small	6.8%
Colucid Pharmaceuticals	Late	Therapeutics	Small	6.8%
Kite Pharma	Early	Therapeutics	Mid	6.7%
Evotec	Early	Therapeutics	Small	5.9%
GW Pharmaceuticals	Market	Therapeutics	Mid	5.6%
Spark Therapeutics	Late	Therapeutics	Mid	5.4%
Neuroderm	Early	Therapeutics	Small	4.9%
Forward Pharma	Late	Therapeutics	Small	3.8%
ProQR Therapeutics	Early	Therapeutics	Small	3.1%
Ophthotech	Late	Therapeutics	Mid	2.9%
Aerie Pharmaceuticals	Late	Therapeutics	Mid	2.6%
TherapeuticsMD	Market	Therapeutics	Mid	2.2%
Sphere Medical	Market	Medical Device	Micro	2.0%
CytomX Therapeutics	Early	Therapeutics	Small	1.6%
Juno Therapeutics	Early	Therapeutics	Mid	0.7%
Lombard Medical	Market	Medical Device	Micro	0.2%