

FOUR OF A KIND

BY STEPHEN HANSEN, ASSOCIATE EDITOR

Stakes in four of 2017's five biggest liquidity events have LSP on track to notch one of the best years in its public fund's nearly 10-year history.

Launched in 2008, LSP's public equity team acts as investment manager for both its listed vehicle, the LSP Life Sciences Fund (Euronext:LSP), and separate holdings for undisclosed LPs.

LSP's Joep Muijers said investing in companies with M&A potential isn't a core part of the fund's investment strategy, but it certainly hasn't hurt.

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It's the first time the firm's public equity team has had four acquisition-like payouts within the same calendar year, according to Muijers.

LSP's previous best years on the public side came in 2010, which saw 62.5% returns, and 2014, which came in at 47.7%. From 2008-16, LSP's public holdings had an annualized return of 24.1%. Muijers wouldn't disclose the year-to-date performance of the combined LSP public equity portfolio.

LSP kicked off the year with the **Eli Lilly and Co.** (NYSE:LLY) takeout of **CoLucid Pharmaceuticals Inc.** for \$960 million in cash. At YE16, the neurology company was the fund's third-largest holding, accounting for 7.6% of its assets.

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Also in January, **Biogen Inc.** (NASDAQ:BIIB) agreed to pay **Forward Pharma A/S** (NASDAQ:FWP) \$1.25 billion as part of a licensing and settlement agreement related to the companies' patent dispute over multiple sclerosis drug **Tecfidera** dimethyl fumarate. Muijers considers the deal the equivalent of a takeout because in September Forward returned €917.7 million (\$1.1 billion) to shareholders. Forward accounted for 2.8% of the fund's portfolio at the end of December.

Then in July, **Mitsubishi Tanabe Pharma Corp.** (Tokyo:4508) said it would acquire neurology company **NeuroDerm Ltd.** (NASDAQ:NDRM) for about \$1.1 billion. At June 30, NeuroDerm was the fund's second-largest holding at 8.4%.

Finally, in August **Gilead Sciences Inc.** (NASDAQ:GILD) agreed to acquire CAR T company **Kite Pharma Inc.** (NASDAQ:KITE) for about \$11.9 billion. Muijers said LSP's stake in Kite is undisclosed, although LSP was "lucky because we invested in Kite at a pretty low price." The NeuroDerm and Kite deals are both expected to close in 4Q17.

LSP's one miss among 2017's top five payouts was the \$5.2 billion acquisition of **Ariad Pharmaceuticals Inc.** by **Takeda Pharmaceutical Co. Ltd.** (Tokyo:4502).