

## **LSP Life Sciences Fund N.V.**

Report on the first half of 2020

**LSP LIFE SCIENCES FUND N.V.**

(no audit or limited review is performed)

Report on the first half of  
2020

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## PROFILE

### General information

LSP Life Sciences Fund N.V. (the Fund) is a public company with the status of an investment company with variable capital organised and established under the laws of the Netherlands on 18 April 2011. The Fund has its statutory seat in Amsterdam, the Netherlands and is registered at the Trade Register of the Chamber of Commerce in Amsterdam under file number 52545474. The Fund is an open-end investment fund listed on Euronext Amsterdam. The Fund qualifies as a tax-exempt investment fund within the meaning of article 6a of the Dutch corporate income tax act. Accordingly, the Fund is not subject to Dutch corporate income tax.

### 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 Euro 2.5 billion at the time of investment. The Fund Manager believes that in particular this sub-segment of companies – generally referred to as the small- and midcap segment – offers great potential for value growth. Typically, these companies will have developed a suite of innovative technologies that offer benefit over existing technologies and approaches. In addition, these companies have frequently established a product development pipeline that consists of therapeutics that have the potential to offer clinical benefit to a large and/or underserved market. The Fund intends to specifically target those companies that are projected to realize important clinical, regulatory or commercial milestones, value-enhancing partnerships and/or offer M&A potential. By doing so, the Fund expects to benefit from the value increases that frequently accompany the announcement of such milestones, partnerships or M&A transactions.

### Sustainable and responsible investing (SRI)

Sustainable and responsible investing means giving due consideration to environmental, social and governance (ESG) investment risks and opportunities – the pillars of the Sustainability model. The Fund uses these Sustainability measures, combined with more traditional methods of financial and company evaluation methods, to identify the very best investment opportunities.

The due diligence process of the Fund is structured and well-validated in the selection of companies with the 'best-in-class' approach within sub-sectors of our target market. On a macro level, an assessment is performed of the key need for the products which are the core assets of the company, the competitive environment in which the companies operate as well as of potential future developments which may impact the sustainability of the company's approach. On a company specific level, the key medical benefits of each of the products within the portfolio and their potential social and environmental impact are analysed. Furthermore the quality of management and their approach to corporate governance issues which may impact the company's reputation and investor confidence are reviewed as part of the due diligence process.

By focusing on sustainable investments in life sciences companies, the Fund believes that its investments help to support the development of all manner of medical innovation which could promote a better quality of life and increase life expectancy. In developing drugs, vaccines and other solutions for unmet medical needs or expanding the availability of medications, companies within the life sciences sector help to keep people healthier for longer, thereby improving productivity through reduced sick leave and reducing the burden on the healthcare system and society.

### **Fund Governance**

The Fund is managed by LSP Advisory B.V. as sole managing director of the Fund. LSP Advisory B.V. is a wholly owned subsidiary of LSP Advisory Group B.V.

The Fund Manager is responsible for the entire management of the Fund in accordance with the provisions of the Fund's organizational documents and applicable laws. The core investment team of the Fund Manager consists of two individuals - Mark Wegter and Geraldine O' Keeffe – who have complementary investment skills and backgrounds relevant to the Fund's business.

The investment team receives full support from the in-depth industry knowledge of the entire cross-Atlantic and pan-European LSP organization. The Fund Manager is further supported by LSP's established, global network of advisors and experts who bring specific expertise essential for performing in-depth due diligence on potential and existing investee companies.

The Fund Manager has been granted a license pursuant to Article 2:65 of the Dutch Financial Markets Supervision Act (Wft) by the Authority for the Financial Markets on 12 April 2011. With the Alternative Investment Fund Managers Directive (AIFMD) that came into force on 22 July 2014, this license has been converted into an AIFM license by legislative decree.

The Supervisory Board of the Fund comprises of Pauline Bieringa and Onno Paymans, both having relevant expertise on the Fund's business. The principal duties and responsibilities of the Supervisory Board include (i) the supervision of the management of the Fund as performed by the Fund Manager as well as to supervise the general course of affairs of the Fund, and (ii) resolving any conflict of interest situation the Fund is involved in.

## DIRECTOR'S REPORT

### Investment Performance

As per the end of June 2020, the Fund has been operational for over nine years and has shown good performance over that period. Obviously, 2020 will go down in history as the year in which the Corona virus took the world by surprise, impacting the global economy and daily life in a way we have not experienced before. The uncertainty that accompanied the outbreak of the virus, resulted in a sudden meltdown of the global equity markets in March. All stocks fell significantly, some sectors worse than other. The biotech sector also got hit, with only some vaccine and diagnostic companies outperforming. In a setback for the Fund, in late March as the spread of the Corona virus led to a global pandemic, one of the fund's major holdings – Amarin – lost a patent case that two generic players had filed against the company. Much to our and the company's surprise, an important patent for the company's cardiovascular product was invalidated, putting the company's main value driver and revenue growth driver in jeopardy. The company disagreed with the judge's decision and started an appeal process which is projected to come to a conclusion in the second half of the year. As a result, the Net Asset Value per share moved from Euro 231.30 as at 31 December 2019 to Euro 220.98 (minus 4.5%) as at 30 June 2020. The Fund recorded a loss for the period of Euro 2.3 million compared to a profit of Euro 11.3 million in the prior year period. As outlined in the prospectus, the Fund aims to provide absolute return for its investors. The Fund Manager is of the opinion that there is no proper benchmark available, which can be used to evaluate the Fund's performance. Therefore, no comparative benchmark data is presented in this report. Importantly, we focus to a lesser extent on short term investment opportunities and remain true to our strategy of building a balanced portfolio with investments that offer upside in the mid- to long term (on average 1 to 2 years). As at 30 June 2020 the value of the portfolio amounted to Euro 48.1 million holding 16 names (2019: Euro 58.1 million and 16 names).

The portfolio consists exclusively of equity (-derived) positions in listed life sciences companies that jointly provide a balanced - yet concentrated - exposure to the sector. Investments have been spread across clinical stage of development, disease area, geography, field of technology and business model. The majority of the investments in the period were in the area of drug development, combined with investments in innovative diagnostics, medical devices and specialty pharma companies. Equity stakes were predominantly below 5% of the portfolio company's outstanding capital, the exact size depending on company specific factors such as liquidity, market capitalization, timing of expected news flow and long-term outlook. Holding periods consequently varied. The monthly reports of the Fund that are published on the Fund's website lists the top-5 best performing stocks of the respective month.

### Alternative Investment Fund Managers Directive

The Fund Manager has implemented the Alternative Investment Fund Managers Directive (AIFMD) that came into force on 22 July 2014. Furthermore, it has appointed KAS BANK N.V. as Depositary for the Fund in accordance with the directive. As of 18 February 2020, a legal merger between KAS BANK N.V. and KAS Trust & Depositary Services B.V. occurred with KAS BANK N.V. being the surviving entity.

The Depositary is responsible for the (i) the safekeeping of the Fund's assets, and (ii) the oversight and supervision of the Fund and the management of the Fund by the Fund Manager. During the reporting period the Depositary has delegated its day-to-day custody tasks to KAS BANK N.V. The depositary remains liable towards the Fund for loss of assets of which the custody has been delegated to KAS BANK N.V. or another third party. The Depositary can

only discharge itself from such liability if all the requirements of article 21(13) or 21(14) of the AIFMD are met. As a result of the legal merger described above, the delegation has effectively terminated as of the merger date.

### **Fund's risk management**

The Fund has exposure to market risks, liquidity risk, credit risk, counterparty risk and operational risks, including preservation and legal and tax compliance risks. The Fund Manager applies a comprehensive process based on qualitative and quantitative risk measures to assess the risks of the Fund entailing a standard monitoring process which consists of pre-defined monitoring items and cycles. The overall exposure of the Fund is calculated by means of the Value-at-Risk (VaR) methodology. A detailed description of the Fund's risk management is provided on pages 24-27 of this report.

### **Fund policy regarding voting rights and voting conduct**

The Fund Manager will actively exercise, or deliberately refrain from exercising, voting rights attached to the Fund's shares in its portfolio companies. The Fund Manager will determine the manner in which voting rights are being exercised on a case-by-case basis, but at all times in the best interests of the Fund and the investors of the Fund. During 2020 the Fund Manager has not exercised its voting rights.

### **Human resources**

The Fund does not employ any personnel. The management of the Fund is entrusted to the Fund Manager. A detailed description of the remuneration of the Fund Manager is provided on pages 23-24 of this report.

### **Administrative organization and internal controls**

The Fund Manager and the Fund have documented the administrative organization and internal controls in accordance with the Dutch Financial Markets Supervision Act (Wft) and the Decree on Market Conduct Supervision of Financial Business (Bgfo). During the reporting period we have reviewed the various aspects of our operations. Our review did not find anything that would lead us to conclude that the administrative organization and the system of internal controls as referenced in article 121 of the Bgfo does not satisfy the requirements as laid down in the Bgfo and related regulations. Furthermore, we did not find that the administrative organization and internal controls are ineffective or that they do not operate in accordance with their description.

Based on the above, we declare as Fund Manager of the LSP Life Sciences Fund N.V. that we are in possession of a description of the administrative organization and internal controls in accordance with Article 121 of the Bgfo, which fulfils the requirements of the Bgfo. We also state with a reasonable degree of certainty that the administrative organization and the system of internal controls were effective and operated in accordance with its description during the reporting period.

The director of LSP Life Sciences Fund N.V. confirms to the best of its knowledge that:

- the financial statements for the first half of 2020 have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code as well as the Dutch Act on Financial Supervision and give a true and fair view of the assets, liabilities and financial position of LSP Life Sciences Fund N.V. as at 30 June 2020 and of its result for the period then ended;
- the report includes a fair review of the key developments of the Fund during the period and the effects thereof on the annual report, together with the principal risks and uncertainties of upcoming six months;
- the report provides adequate disclosure of the principal transactions with related parties.



**Outlook**

Clearly, the two events that will impact the global equity markets for some time to come are the Corona pandemic and – albeit shorter term – the US presidential elections. Historically, a Republican President would be viewed as positive by Wall Street, while a Democrat President would typically be negative. Likewise, a Republican President would traditionally be viewed as positive for the Pharma and biotech sectors. However, with Trump being the Republican candidate for re-election, it seems these “certainties” are no longer valid. This will be a US election like no other. We will know the outcome in November. The duration of the impact of the COVID-19 pandemic is less certain. The innovative healthcare companies in which the Fund invests are impacted in several ways by the pandemic. Firstly, enrolment in clinical studies slowed and in many cases was stopped. This has resulted in a shift in timelines for many companies in terms of when to expect trials to be fully enrolled and anticipated clinical data. Many of these studies are focused on areas of unmet medical need and would therefore be expected to be a priority when hospitals are once again able to fully enrol patients in clinical studies at a rate that was normal pre-Corona. Another factor that remains an issue is that delays can have an impact on the capital needs and cash reach of these companies – for that purpose, we will remain our focus on those companies that are well capitalised and funded beyond critical milestones. Another important impact of the pandemic is on the ability of commercial stage companies to promote and distribute their products. This is perhaps true for all products but launching a new drug is a very technical sale where the interaction with the treating physician has been considered essential. While sales and in particular new drug launches have been impacted – it has also been a time of innovation as companies switch to virtual technology and social media to get the message to the doctors and to patients. It will take some time to really assess the impact and also the potential benefits of these new measures on sales and revenues. Earnings estimates for the second quarter of the year and also for the full year have been reduced across the board. Longer term – we expect limited impact on peak sales potential of innovative healthcare product. Once society starts to reopen – we expect sales efforts to return to normal – with perhaps some new learning from virtual outreach techniques used during the pandemic. Perhaps a more positive impact the pandemic has arguably had on the sector is that it is being viewed as part of the solution to the current pandemic. There has been an unprecedented level of collaboration and data sharing between research institutes, biotech and pharma to tackle this global problem. Many long-overlooked vaccine and anti-infective programs were thrust into the limelight as the search for solutions gathered momentum. It seems that every company is looking at their technology and drug pipeline to see if their technology could be used to alleviate some aspect of the pandemic – whether it is a vaccine for prevention, treatment of early stage patient or late stage disease complications – many promising candidates are emerging. There are currently hundreds of clinical studies being conducted at unparalleled speed. While this may be diverting attention away from non-COVID related endeavours – it will hopefully lead to some important ground-breaking new treatments to combat COVID-19. All of this effort seems to have cast the healthcare sector in a very positive light.

The director

**LSP Advisory B.V.**

Mark Wegter

Geraldine O’Keeffe

**BALANCE SHEET on 30 June 2020**

(in thousands of Euro's, before appropriation of the result)  
(no audit or limited review is performed)

	Note	30 June 2020	31 December 2019
<b>Assets</b>			
<b>Investments</b>	<b>1</b>		
Investments in securities		47,708	58,060
Investments in derivatives		397	-
		48,105	58,060
<b>Receivables</b>			
Amounts receivable		6	45
<b>Other assets</b>	<b>2</b>		
Cash accounts		38,111	2,633
<b>Total Assets</b>		86,222	60,738
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>	<b>3</b>		
Issued share capital		229	253
Share premium		3,550	9,142
Other reserves		49,107	42,481
Unappropriated result		-2,268	6,626
		50,618	58,502
<b>Current liabilities</b>	<b>4</b>		
Creditors and accrued expenses		170	397
Cash accounts		35,434	1,839
		35,604	2,236
<b>Total Liabilities and shareholders' equity</b>		86,222	60,738
Net Asset Value per share		220.98	231.30

**PROFIT AND LOSS ACCOUNT for the period of 1 January – 30 June 2020**

(in thousands of Euro's)  
(no audit or limited review is performed)

	Note	30 June 2020	30 June 2019
<b>Income from investments</b>			
Dividends on securities		5	-
Income from securities lending		65	10
		<hr/> 70	<hr/> 10
<b>Realized movements in investments and other assets</b> 5			
Realized movements on securities		-2,453	73
<b>Unrealized movements in investments and other assets</b> 5			
Unrealized movements on securities		543	13,948
Unrealized movements on derivatives		397	-
Currency results on cash accounts		-11	-368
		<hr/> 929	<hr/> 13,580
<b>Expenses</b>			
Management costs	6	360	1,399
Depositary costs	7	72	44
Fund operational costs	8	104	122
Interest expenses on cash accounts		278	783
		<hr/> 814	<hr/> 2,348
<b>Result for the period</b>		<hr/> <hr/> -2,268	<hr/> <hr/> 11,315

**CASH FLOW STATEMENT for the period 1 January – 30 June 2020**

(in thousands of Euro's)

(no audit or limited review is performed)

	30 June 2020	30 June 2019
Cash flows from investment activities		
Net result	-2,268	11,315
Realized movements in investments and other assets	2,453	-73
Unrealized movements in investments and other assets	-929	-13,580
Purchase of investments and other assets	-26,539	-71,915
Sale of investments and other assets	34,980	86,499
Change in amounts receivable	10	-624
Change in current liabilities	-63	870
	7,644	12,492
Cash flows from financial activities		
Issue of shares	3,284	4,384
Redemption of shares	-9,034	-18,179
Total cash flows from financial activities	-5,750	-13,795
Currency results on cash accounts	-11	-368
<b>Net increase for the period</b>	<b>1,883</b>	<b>-1,671</b>
Opening balance	794	566
Closing balance	2,677	-1,105
	1,883	-1,671

## SELECTED NOTES TO THE ANNUAL REPORT

### General

LSP Life Sciences Fund N.V. (the Fund) is a public limited liability company with the status of an investment company with variable capital organised and established under the laws of the Netherlands on 18 April 2011. The Fund has its statutory seat in Amsterdam, the Netherlands. The Fund is an open-end investment fund listed on Euronext Amsterdam. The Fund is managed by LSP Advisory B.V. as sole managing director of the Fund.

The purpose of the Fund 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 Fund qualifies as a tax-exempt investment fund within the meaning of Article 6a of the Dutch Corporate Income Tax Act. Accordingly, the Fund is not subject to Dutch corporate income tax.

### Accounting principles

#### General

The financial year of the Fund corresponds to the calendar year. This report has been prepared in accordance with generally accepted accounting principles in the Netherlands, and in compliance with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code as well as the Dutch Act on Financial Supervision.

The functional currency of the Fund is Euro and the financial statements are presented in thousands of Euro's except per share data.

Unless specifically specified otherwise the Fund applies the historical cost convention less any value adjustments deemed necessary. Furthermore, the accrual method of accounting has been applied which means that income and expenses are recognised in the period to which they relate rather than the period in which they have been paid or received.

#### Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Foreign currency translation

Unless otherwise stated, assets and liabilities denominated in foreign currencies are translated into the Fund's reporting currency at the exchange rates at closing date. Revenues and expenses denominated in foreign currencies are translated into Euro's at rate prevailing at the transaction date. Resulting currency exchange differences are taken into the Profit and Loss account under currency results.

The exchange rates at 30 June 2020, in Euro	
British Pound	1.10011
United States Dollar	0.89035
Swedish Crown	0.09557

Asset and Liabilities

Assets and liabilities are measured at nominal value, unless otherwise measured in the further principles. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

Securities lending

Securities of which the legal ownership is transferred for a specific period under a securities lending transaction, continue to be recognized in the Company's balance sheet during this period, because the economic benefits and costs - in the form of investment income and changes in value - are for the account and risk of the Company.

The method of accounting of collateral received in connection with securities lending depends on its nature. If collateral is received in the form of securities, this is not recognized in the balance sheet of the Company, since the economic benefits and disadvantages associated with the collateral are for the account and risk of the counterparty. When collateral is received in the form of cash, it is recognized in the balance sheet of the Company, because in that case the economic benefits and costs are for the account and risk of the Company. In recognition of the fact that the holder of the instrument retains the right to sell back the instrument, it is classified as equity in accordance with RJ 290.808

Investments*Securities*

Investments are recorded at their fair value. The Fund only has investments in listed securities for which fair value is determined at their closing price on the valuation date on the relevant exchanges. Transaction costs in respect of purchase and sale of investments are included in unrealized and realized movements in investments.

### *Derivatives*

Derivatives (warrants) are measured at fair value on initial recognition. After initial recognition, these derivative financial instruments are carried at fair value, with gains and losses recognized in unrealized and realized movements in investments in the Profit and Loss account.

In the absence of a quotation, the fair value of the warrants is calculated using the Black-Scholes Discrete model, taking into account the exercise price of the warrant, the remaining life of the warrant, the vesting period of the warrant, the share price of the underlying security at valuation date, the risk-free interest rate, the expected volatility and the expected dividend yield.

### Receivables and other assets

Other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses.

### Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

### Share premium account

This reserve originates from the issue and redemption of shares over and above their nominal value.

### Current liabilities

Current liabilities and other financial commitments are stated after their initial recognition at amortised cost on the basis of the effective interest rate method.

### Profit and Loss account

Income and expenses are accounted for in the period to which they relate.

### Realized movements in investments and other assets

Realized movements in investments and other assets consist of gains or losses on securities and derivate positions that have been sold during the reporting period.

### Unrealized movements in investments and other assets

Unrealized movements in investments and other assets consist of gains or losses on securities and derivate positions that are (still) in the portfolio at the end of the reporting period.

### Income

Dividends are recognised on an ex-dividend date basis. Dividend income is recognised net of dividend withholding tax as the fund cannot reclaim dividend tax paid from the tax authorities. If the Fund elects to receive a stock dividend in lieu of a cash dividend, an amount equal to dividends not received is included in income. When the Fund receives a stock dividend when there is no cash alternative, an amount equal to the nominal value of the shares issued is included in income to the extent that such stock dividend is regarded as revenue for Dutch tax purposes.

Expenses

Expenses are dealt with on an accrual basis. All expenses are charged to the Profit and Loss account.

Cash Flow statement

The Cash Flow statement is prepared by using the indirect method.



## Notes to balance sheet

### 1. Investments

30 June 2020

31 December 2019

#### Securities

Market value beginning of period	58,060	71,123
Purchases	26,539	54,380
Sales	-34,980	-78,122
Unrealized price movements	609	11,831
Unrealized currency movements	-66	-889
Realized price movements	-2,986	-2,085
Realized currency movements	532	1,822
Market value at end of period	47,708	58,060

#### Derivatives

Market value beginning of period	-	-
Purchases	-	-
Sales	-	-
Unrealized price movements	397	-
Unrealized currency movements	-	-
Realized price movements	-	-
Realized currency movements	-	-
Market value at end of period	397	-

The parameters used for the valuation of the non-listed warrants are:

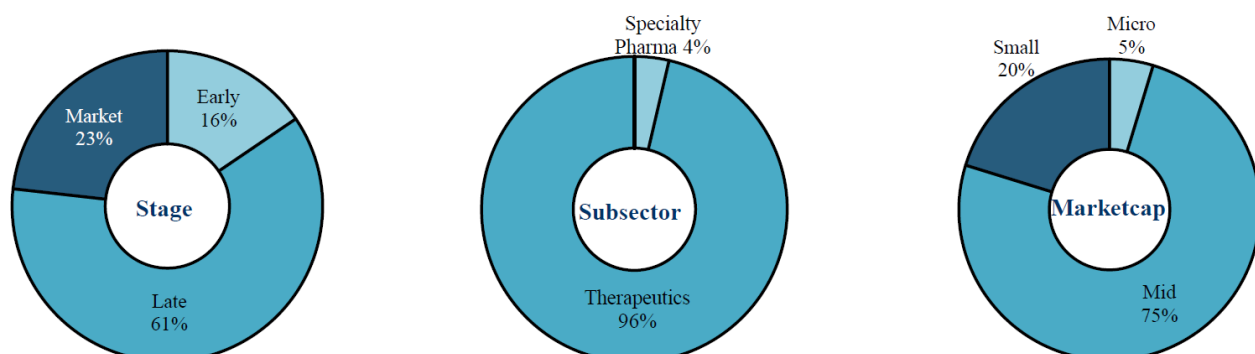
Parameter	Warrant Kiadis
Expiration date	April-2025
Remaining life	4.83 years
Price of underlying share at value date	EUR 1.47
Exercise price	EUR 2.32
Vesting period	-
Expected dividend yield	0.00%
Expected volatility	65.35%
Rate of yield curve	-0.36%

#### Securities lending

The Fund may make use of securities lending transactions for the purposes of generating additional income. The Fund is permitted to lend securities up to a maximum of 100% of its total assets. Securities lending transactions will only be carried out with KAS Bank N.V. as counterparty which is a reputable financial institution. The fund has lent out Euro 15,336 thousand of securities (31 December 2019: Euro 19,643) and received in return Euro 15,643 thousand (31 December 2019: Euro 20,035 thousand) as collateral as per below breakdown.

Security type	Issuer	Security	Market value
Government bond	France Republic	FR0000571150 6 FCE OAT 25	7,822
Government bond	France Republic	FR0013313582 1.25 FRCE 34 TN	7,156
Government bond	France Republic	FR0013410552 FRGV 0.100 03/01/2	665
			15,643

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 30 June 2020 is shown below.



<b>Stage</b> at period end	<b>2020-06</b>	<b>2019-12</b>
Early Stage	16%	23%
Late Stage	61%	59%
Market	23%	18%

<b>Subsector</b> at period end	<b>2020-06</b>	<b>2019-12</b>
Therapeutics	96%	100%
Medical Device	-	-
Specialty Pharma	4%	-

<b>Marketcap</b> at period end	<b>2020-06</b>	<b>2019-12</b>
Microcap	5%	1%
Smallcap	20%	9%
Midcap	75%	90%

### Portfolio breakdown

The below table shows the portfolio breakdown of the Fund grouped per company as a percentage of the total Fund's Net Asset Value.

<b>Company</b>	<b>Stage</b>	<b>Subsector</b>	<b>Marketcap</b>	<b>%</b>
arGEN-X	Late	Therapeutics	Mid	13.3%
Biohaven Pharmaceutical	Late	Therapeutics	Mid	9.4%
Galapagos	Late	Therapeutics	Mid	7.8%
Blueprint Medicines	Late	Therapeutics	Mid	6.5%
Oncopeptides	Late	Therapeutics	Small	6.4%
UniQure	Late	Therapeutics	Mid	6.3%
Allogene Therapeutics	Early	Therapeutics	Mid	6.1%
Calliditas Therapeutics	Late	Therapeutics	Small	5.9%
GW Pharmaceuticals	Market	Therapeutics	Mid	5.1%
Immunovant	Early	Therapeutics	Small	5.0%
Intra-Cellular Therapies	Market	Therapeutics	Mid	4.7%
MorphoSys	Market	Therapeutics	Mid	4.5%
Kiadis Pharma	Early	Therapeutics	Micro	4.4%
Amarin Corp	Market	Therapeutics	Mid	4.2%
Clinigen Group	Market	Specialty Pharma	Mid	3.5%
AC Immune	Late	Therapeutics	Small	1.9%
				95.0%

## 2. Other assets

### Cash accounts

The cash at banks are held with KAS BANK N.V. and are available on demand.

## 3. Shareholders' equity

The authorized share capital of the Fund is Euro 1,000,000 and is divided in 1,000,000 shares with a par value of Euro 1.00 each. The number of issued shares at 30 June 2020 amounts to 229,049.

	30 June 2020	31 December 2019
<b>Issued share capital</b>		
Balance at beginning of period	253	333
Issued	18	35
Redemption	-42	-115
Balance at end of the period	229	253
<b>Share premium account</b>		
Balance at beginning of period	9,142	28,663
Issue of shares	3,236	7,845
Redemption of shares	-8,828	-27,366
Balance at end of the period	3,550	9,142
<b>Other reserves</b>		
Balance at beginning of period	42,481	49,329
Result appropriation for previous year	6,626	-6,848
Balance at end of the period	49,107	42,481
<b>Number of issued capital</b>		
Balance at beginning of period	252,924	333,247
Issued	18,028	34,606
Redemption	-41,903	-114,929
Balance at end of the period	229,049	252,924
Number of shares	229,049	252,924
Net Asset Value	50,617	58,502
Net Asset Value per share	220.98	231.30
<b>Unappropriated result</b>		
Balance at beginning of period	6,626	-6,848
Result previous year added to other reserves	-6,626	6,848
Result for the period	-2,268	6,626
Balance at end of the period	-2,268	6,626

<b>4. Current liabilities</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Creditors and accrued expenses</b>		
Interest	28	67
Share redemptions payable to shareholders	6	169
Fund operational costs	73	86
Management fee	63	75
	<b>170</b>	<b>397</b>

The creditors and accrued expenses are payable within one year.

No performance fees recorded in the reported years

The breakdown of the fund operational costs payable in the amount of Euro 73 thousand is provided below

Fund administration fee	15	21
Remuneration of the Supervisory Board	19	12
Auditor's remuneration	21	40
Advisory costs	-5	6
Other costs	23	7
	<b>73</b>	<b>86</b>

#### **Cash accounts**

The cash accounts on the liability side of the balance sheet comprises of a debit balance on the Euro currency account and various foreign currency accounts as shown in below table.

Cash account	at 30 June 2020		at 31 December 2019	
	in Local Currency	in Euro	in Local Currency	in Euro
Euro	-1,839	-1,839	-1,839	-1,839
British Pound	-1,620	-1,782	-	-
United States Dollar	-29,679	-26,425	-	-
Swedish Crown	-56,379	-5,388	-	-
<b>Total</b>		<b>-35,434</b>		<b>-1,839</b>

These cash accounts are an integral part of the Fund's currency hedging as further detailed in note 5.

## Notes to the Profit and Loss account

### 5. Realized and unrealized movements in investments and other assets

	30 June 2020	30 June 2019
<b>Realized movements on securities</b>		
Realized gains/losses on securities	-2,985	-662
Currency results on securities	532	735
	<u>-2,453</u>	<u>73</u>
<b>Unrealized movements on securities</b>		
Change in unrealized gains/losses on securities	609	14,346
Currency results on securities	-66	-398
	<u>543</u>	<u>13,948</u>
<b>Unrealized movements on derivatives</b>		
Change in unrealized gains/losses on derivatives	397	-
Currency results on derivatives	-	-
	<u>397</u>	<u>-</u>

The realized and unrealized movements are a combination of gains as well as losses. In accordance with the generally accepted accounting principles in the Netherlands these gains and losses have to be reported separately. The below table provides this decomposition.

<b>Realized movements 30 June 2020</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	11,372	-13,825	-2,453
Derivatives	-	-	-
<b>Unrealized movements 30 June 2020</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	15,475	-14,932	543
Derivatives	397	-	397
<b>Realized movements 30 June 2019</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	8,284	-8,211	73
<b>Unrealized movements 30 June 2019</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	18,123	-4,175	13,948

### Currency results on cash accounts

The Fund makes use of foreign currency cash accounts to (partially) hedge the currency exposure of its investments. During the reporting period the currency results on these cash accounts amounted to a profit of Euro 11 thousand (H1-2019: loss 368 thousand), whilst the realized and unrealized currency result of the investments amounted to a profit of Euro 69 thousand (H1-2019: profit 337 thousand). The net currency result of the Fund thus amounted to a profit of Euro 80 thousand (H1-2019: loss 31 thousand).

## 6. Management costs

### Management Fee

The Fund Manager is entitled to an annual management fee due by the Fund to the Fund Manager equal to 1.5% per annum of the Net Asset Value excluding (i.e. before deduction of) the accrued management fee and performance fee. The management fee accrues on a daily basis by reference to the latest Net Asset Value and is payable by the Fund in arrears as per the last business day of each month. The management fee amounts to Euro 360 thousand (H1-2019: 557 thousand).

### Performance Fee

The Fund Manager is entitled to receive a performance fee of twenty per cent (20%) of the increase (if any) in the Net Asset Value per share accrued during the year for each share outstanding at the end of the relevant year, but only to the extent such increase exceeds the hurdle of 8%. The performance fee is furthermore subject to a perpetual high watermark which means that performance fee shall only be payable if, and to the extent that, the Net Asset Value per share at the end of a year is greater than the highest value of this variable which has been determined at the end of all of the preceding years. The performance fee is calculated and accrues on a daily basis. The performance fee, if any, is payable as per the last valuation day of each calendar year.

The initial issue price of Euro 100.00 per share, plus the 8% hurdle since inception amounted to Euro 202.95 at 30 June 2020. The high watermark is set to the highest Net Asset Value per share at the end of all preceding years, i.e. Euro 235.07. As the High Watermark exceeds the hurdle, the performance fee is calculated with reference to this High Watermark. The Net Asset Value per share – before performance fee – as of period-end was Euro 220.98, and thus below the High Watermark. As such there is no performance fee for the period (H1-2019: Euro 842 thousand)

(in Euro per share)	30 June 2020	30 June 2019
Net Asset Value (before performance fee)	220.98	250.15
Hurdle	202.95	187.90
High Watermark	235.07	235.07
Excess performance	0.00	15.08
Performance fee (20% of excess performance)	0.00	3.02
Number of shares outstanding	229,049	279,186

## 7. Depositary costs

In connection with the Alternative Investment Fund Manager Directive (AIFMD) that came in force on 22 July 2014, the Fund has appointed KAS BANK N.V. as depositary. The depositary acts in the interest of the investors and is responsible for the safekeeping of the fund's assets and the oversight and supervision of the Fund and the management of the Fund by the Fund Manager. The depositary costs consist of the fees contractually due to the depositary for the provision of its services.

**8. Fund operational costs**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Fund administration fee, custody and bank fees	41	65
Remuneration of the Supervisory Board	18	15
Auditor's remuneration	21	19
Advisory costs	7	5
Other costs	17	18
	<b>104</b>	<b>122</b>

Fund operational costs include all costs of legal, tax, regulatory, administrative, custody, auditing, reporting and similar services and advices provided to the Fund, the cost of the Fund Agent and Administrator, the costs of supervision of the Fund, all costs incurred in relation to the Fund's Supervisory Board and all costs of communications with and meetings of the investors.

**Auditor's remuneration**

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

	<b>30 June 2020</b>		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of the financial statements	21	-	21
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	<b>21</b>	<b>-</b>	<b>21</b>

	<b>30 June 2019</b>		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of the financial statements	19	-	19
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	<b>19</b>	<b>-</b>	<b>19</b>

**Comparison total expenses with expenses mentioned in the prospectus**

	Actual costs	Prospectus
Management fee	360	360
Performance fee	-	-
Depository costs	72	} 108
Fund operational costs	104	
	536	468

The expenses in the Prospectus are based on an average Fund size of Euro 75 million and have been adjusted proportionally to the actual average Fund size in this comparison. In the Prospectus the depository costs are not mentioned separately but are included in the Fund operational costs.

**Remuneration policy**

The Fund itself has no employees. The management of the Fund is entrusted to the Fund Manager being LSP Advisory B.V. As such the remuneration policy is determined at the level of the Fund Manager. The Fund Manager has implemented the AIFMD regulations regarding remuneration and has established a compliant remuneration policy. The objective of this remuneration policy is to motivate and retain the investment managers and other employees. The remuneration policy of the Fund Manager is designed such that it is consistent with and promotes sound and effective risk management and does not encourage risk-taking in a manner inconsistent with the risk policy of the Fund. The remuneration policy is reviewed on annual basis and will be amended from time to time to remain compliant with applicable regulations and to abide by social norms. The remuneration consists of a fixed and a variable component. The variable remuneration is linked to the performance of the Fund as well as to the individual targets of the staff members.

**Remuneration of the Fund Manager's staff**

During the first half of 2020 the Fund Manager paid Euro 0.4 million (H1-2019: 0.4 million) to its staff members. Of this amount Euro 0.4 million (H1-2019: 0.4 million) was fixed remuneration and nil (H1-2019: 6 thousand) was variable.

Of the total remuneration referenced above an amount of Euro 0.3 million (H1-2019: 0.2 million) related to the directors of the Fund Manager. This consists of a fixed remuneration of Euro 0.3 million (H1-2019: 0.2 million) and no variable compensation for the period (H1-2019: nil).

In total 5 staff members worked in part or fully for the Fund. The total remuneration of these staff members that is attributed to managing the Fund for the period amounts to Euro 0.2 million (H1-2019: 0.2 million), such amount being allocated on the basis of the average Assets under Management of the various activities of LSP Advisory B.V. The tables on the next page show the breakdown of the remuneration of the staff members attributed to the management of the Fund for the current and prior period.



<b>H1-2020</b>	Beneficiaries	Fixed	Variable	Total
in Euro's		remuneration	remuneration	Remuneration
Directors	2	129,493	-	129,493
Identified staff	1	6,855	-	6,855
Other employees	2	40,984	-	40,984
<b>Total</b>	<b>5</b>	<b>177,332</b>	<b>-</b>	<b>177,332</b>

<b>H1-2019</b>	Beneficiaries	Fixed	Variable	Total
in Euro's		remuneration	remuneration	Remuneration
Directors	2	127,998	-	127,998
Identified staff	1	8,493	-	8,493
Other employees	3	60,458	3,138	63,596
<b>Total</b>	<b>6</b>	<b>196,949</b>	<b>3,138</b>	<b>200,087</b>

### Remuneration of the Supervisory Board

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 15 thousand (H1-2019: Euro 15 thousand).

<b>Supervisory Board member</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Pauline Bieringa	9	9
Onno Paymans	6	6
	<b>15</b>	<b>15</b>

### Risk factors and risk management

An investment in the Fund involves certain risks and uncertainties relating to the Fund's structure and investment strategy. The Fund has exposure to the following risks from financial instruments:

- Market risks
- Liquidity risk
- Counterparty risk, including settlement risk
- Operational risks, including preservation and legal and tax compliance risks

The Fund Manager applies a comprehensive process based on qualitative and quantitative risk measures to assess the risks of the Fund entailing a standard monitoring process which consists of pre-defined monitoring items and cycles. The overall exposure of the Fund is calculated by means of the Value-at-Risk (VaR) methodology. The Value-at-Risk methodology provides a measure of the potential loss that could arise over a given time interval under normal market

conditions, and at a given confidence level. During the first half year of 2020 no risk limits of the Fund have been exceeded nor were they likely to be exceeded.

The Fund Manager has been given a discretionary authority to manage the assets in accordance with the Fund's investment objectives. Compliance with the investment restrictions and the composition of the portfolio is monitored by the Fund Manager on a daily basis.

### ***Market Risk***

The prices of financial instruments on the financial markets in general and more specifically the prices of financial instruments in the portfolio can increase or decrease as a result of a multitude of factors like expectations of economic growth, inflation and price movements of goods and foreign currencies. In addition, the value of the portfolio can vary due to, for example, political and monetary developments. Market risks are increased as a result of limiting the geographic scope of the Fund to Europe (and in part to the United States) as well as the Fund's concentrated sector portfolio. The Fund manager distinguishes the following market risks: (i) price volatility, (ii) concentration risk, (iii) foreign currency risk and (iv) interest rate risk, which are discussed in further detail below.

#### ***(i) Price volatility***

The stock prices of companies involved in the life sciences industry have been and will likely continue to be volatile. Stock prices and their related financial instruments (e.g. warrants) could be subject to wide fluctuations in response to a variety of factors, including the following:

- General market fluctuations (including the parameters used for valuation of warrants);
- Actual or anticipated variations in companies' operating results;
- Announcements of technological innovations by competitors;
- Changes in financial estimates by securities analysts;
- Changes in the market valuations of life sciences companies;
- Legal or regulatory developments affecting companies in the life sciences industry;
- Announcement by life sciences companies or their competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments; or
- Additions or departures of key personnel.

Many life sciences companies do not or in the future might not have earnings. As a result, the trading prices of life sciences companies may decline substantially, and valuations may not be sustained. Any negative change in the public's perception of the prospects of life sciences companies, generally could depress the stock prices of a particular company regardless of its results. Other broad market and industry factors may decrease the stock price of life sciences stocks, regardless of their operating results.

Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, also may decrease the market price of life sciences stocks. Given the investment objective of the Fund and its inherent sector focus, the price volatility risk is in principle not managed by the Fund Manager.

#### ***(ii) Concentration risk***

The Fund endeavours to create a concentrated portfolio of life sciences investments that are diversified by sub-sector (indication area or technology), geographic location, type of investment (IPOs, rights offerings, follow-on offerings, PIPEs, direct equity offerings, open market transactions, etc.), business model, area of focus, stage of development,

etc. in order to achieve a high level of risk diversification. However, subject to the investment restrictions, investments may be weighted to certain indication and/or technologies and in certain geographic markets within Europe. Events that impact a specific investment, a specific sub-sector or a region may have an impact on the Fund's performance. The investment restrictions put an upper limit to the maximum allocation to a single portfolio company. Furthermore, the Fund Manager monitors the concentration levels on a daily basis and will rebalance the portfolio if so required. As at the end of June 2020 the 5 single largest holdings account for 43% of the Net Asset Value of the Fund (year-end 2019: 60%).

***(iii) Foreign currency risk***

The Fund invests in life sciences companies in various countries. The investments may be dominated in currencies other than Euro and the value of these currencies may fluctuate. Thus, investors in principle will be subject to fluctuations in currency exchange rates. These fluctuations may have a positive or a negative effect on the Net Asset Value. The Fund Manager can make use of a range of financial instruments to (partially) hedge the various currency exposures that result from the portfolio investments. During the reporting period the currency risk of the British Pound, Swedish Crown and United States Dollar was partially hedged by contrary positions on the respective foreign currency cash accounts.

Net currency exposure	at 30 June 2020		at 31 December 2019	
	in Local Currency	in Euro	in Local Currency	in Euro
British Pound	-23	-25	-	-
Swedish Crown	-24,954	-2,385	33,483	3,186
United States Dollar	1,892	1,684	36,506	32,522

***(iv) Interest rate risk***

The Fund has no significant exposure to interest rate risk, since all cash accounts have floating interest rates and the Fund does not hold any fixed income securities.

***Liquidity risk***

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities – including redemptions of shares – that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. The Fund Manager actively monitors the maximum possible share redemptions in relation to the Fund's cash position and the level of liquidity of securities in the portfolio and will take corrective action if so required.

***Counterparty risk***

The Fund can be subject to the risk of the inability or refusal of dealers, brokers, clearing and payment institutions, custodians, principals or other service providers, issuing entities or other counterparties to its transactions to duly and timely perform under such services or transactions. Any such shortcoming, failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses. The Fund Manager mitigates these risks by reviewing the creditworthiness and reliability of all service providers and counterparties and only enters into transactions with those parties that the Fund believes to be creditworthy and reliable. All cash balances, amounting to Euro 2,677 thousand as at 30 June 2020 (year-end 2019: 794 thousand), are held with the KAS BANK N.V. As per 3 April 2020, Fitch Ratings has affirmed KAS BANK N.V.'s Long- and Short-Term Issuer Default Ratings (IDRs) of

'A+' and 'F1', respectively. The outlook on the Long-Term IDR was changed from Stable to Negative following a similar action on Credit Agricole.

#### ***Settlement risk***

The Fund can be subject to the risk that settlement through a payment system is unable to take place as expected because payment or delivery of the financial instruments is not on time or does not happen at all. The Fund mitigates this risk by conducting most of its settlements through a broker and ensuring that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

#### ***Operational risks***

Operational risk concerns the risk that the Fund will incur financial losses due to amongst others operational errors, negligence and/or fraud. In general, the Fund manages this risk through an adequate administrative organization including segregation of duties and internal controls, which cover these risks.

#### ***Preservation risk***

To safeguard the assets of the Fund, the Fund uses an independent custodian. Preservation risk is the risk that the assets of the Fund are lost as a result of, among other things, negligence, insolvency or fraudulent actions of the custodian. To monitor and mitigate this risk, the Fund Manager will periodically review the ISAE 3402 Type II report as received from the custodian to assess whether the relevant administrative organization and internal controls are adequate.

#### ***Legal and tax compliance risks***

Changes in tax legislation in any of the countries in which the Fund has investments, or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Fund to its investors. In the event that the Fund no longer complies with the requirements of a tax-exempt investment fund, the Fund might be subject to Dutch corporate income tax. The Fund Manager, in consultation with its tax and legal advisors, monitors compliance with the relevant rules and regulations.

**Transactions with related parties**

The Fund Manager, LSP Advisory B.V. qualifies as a related party. In the reporting period the Fund Manager received a management fee of Euro 360 thousand (H1-2019: Euro 557 thousand) and a performance fee of nil is due (H1-2019: Euro 842 thousand). Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price.

**Soft dollar arrangements**

The Fund will not enter into arrangements with any party regarding kickback payments. Third parties may in relation to the execution of orders by them on behalf of the Fund provide products and services to the Fund manager. During the reporting period the Fund's transactions were conducted under execution-only arrangements with its brokers and the Fund manager has assessed that it received no soft dollar arrangement during the first half of 2020 (2019: none).

**Interests of the Supervisory Board and Management**

The members of the Supervisory Board and Management had no interests in securities held by the Fund's portfolio as at 30 June 2020 (2019: no interests).

One member of the Supervisory Board holds a total of 80 shares in the Fund as at 30 June 2020 (2019: 80 shares).

Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price. These persons own in aggregate 13,645 (2019: 13,645) shares in the Fund. The lock-up period as described in the prospectus of the Fund has expired.

Amsterdam, 28 August 2020

The director

**LSP Advisory B.V.**

## **OTHER INFORMATION**

### **Statutory income allocation**

According to article 22 of the Articles of Association, the Fund Manager will determine which part of the profit will be retained; the remainder of the profit will be at the disposal of the general meeting of shareholders.

### **Distributions policy**

As the investment objective of the Fund is to achieve capital appreciation, frequent and regular distribution of profits or other net proceeds by the Fund are not intended nor anticipated. All net proceeds will in principle be reinvested and the Fund Manager will exercise its right to add profits of the Fund to the Fund's reserves.

### **Post-balance sheet events**

There were no material post-balance sheet events which have a bearing on the understanding of the financial statements.

## STATEMENT OF THE DEPOSITARY

### Considering that

- KAS BANK N.V. (“the depositary”) is appointed to act as depositary of **LSP Life Sciences Fund N.V.** (“the fund”) in accordance with section 21(1) of the Alternative Investment Fund Managers Directive (2011/61/EU) (the “AIFM Directive”);
- Such appointment and the mutual rights and obligations of the fund manager and the depositary of the fund have been agreed upon in the depositary agreement dated 22 July 2014 between such parties, including the schedules to that agreement (the “depositary agreement”);
- The depositary issues this statement exclusively to the fund manager in relation to the activities of the fund manager and relates to the period 1 January 2020 up to and including 30 June 2020, (“the reporting period”).

### Responsibilities of the depositary

The depositary acts as a depositary within the meaning of the AIFM Directive and provide its services in accordance with the AIFM Directive, the EU implementing regulation, applicable Dutch laws and regulations and the policy rules issued by the European Securities and Markets Authority and the Netherlands Authority for the Financial Markets (the “regulations”). The responsibilities of the depositary have been described in the depositary agreement and include, in addition to the safekeeping, recordkeeping and ownership verification tasks (as defined in article 21(8) AIFM Directive), several monitoring and oversight tasks (as defined in article 21(7) and 21(9) AIFM Directive):

- Monitoring of the fund’s cash flows, including identification of significant and inconsistent cash flows and reconciliation of the cash flows with the fund’s administration;
- Ensuring that the sale, issue, re-purchase, redemption, cancellation and valuation of units or shares of the fund are carried out in accordance with the applicable national law and the fund documentation;
- Ensuring that in transactions involving the fund’s assets any consideration is remitted to the fund within the usual time limits;
- Ensuring that the fund’s income is applied in accordance with the applicable national law and the fund documents;
- Monitoring whether the fund is managed in compliance with the investment restrictions and leverage limits as defined in the fund documentation.

### Statement of the Depositary

The depositary has carried out such activities during the reporting period as considered necessary to fulfil its responsibilities as depositary of the fund. The depositary is of the opinion that, based on the information made available to it and the explanations provided by the fund manager, in all material respects, the fund manager has carried out its activities which are in scope of the monitoring and oversight duties of the depositary, in accordance with the regulations and the fund documentation.

### Miscellaneous

This statement does not create, and is not intended to create, any right for a person or an entity that is not a party to the depositary agreement.

Amsterdam, 28 August 2020

KAS BANK N.V.