



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

Annual Report 2021



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

Annual Report

2021

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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 and its ISIN Code is NL0009756394. 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.

## Fund Governance

The Fund is managed by LSP Advisory B.V. as Alternative Investment Fund Manager (AIFM) and managing director of the Fund. Following the acquisition by EQT of LSP which was effectuated on 28 February 2022, LSP Advisory B.V. is now a wholly owned subsidiary of EQT Life Sciences Group B.V. which in turn has EQT AB, a Swedish public company with a listing on the Nasdaq Stockholm Stock Exchange, as its ultimate parent. In connection with the acquisition, LSP has been rebranded into EQT Life Sciences.

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 EQT Life Sciences (previously LSP) organization. The Fund Manager is further supported by EQT Life Sciences' 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 Netherlands 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 Onno Paymans and Maarten Scholten, who both have 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. The Supervisory Board also serves as the Audit Committee of the Fund.

# DIRECTOR'S REPORT

## Investment Performance

As per the end of December 2021, the Fund has been operational for over ten and one-half years. As a result of the investment performance during the year, the Net Asset Value per share of the LSP Life Sciences Fund decreased from Euro 289.37 as at 31 December 2020 to Euro 221.84 (minus 23.3%) as at 31 December 2021. The Fund thus recorded a loss for the period of Euro 13.3 million compared to a profit of Euro 10.4 million in the prior year. 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). Our portfolio primarily holds investments in companies that have a market cap below Euro 1 billion. As at 31 December 2021 the value of the portfolio amounted to Euro 36.4 million holding 17 names (2020: 58.5 million and 19 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 CACEIS Bank Netherlands Branch as Depositary for the Fund in accordance with the directive. 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. The Depositary has delegated its day-to-day custody tasks to CACEIS Bank Netherlands Branch. The depositary remains liable towards the Fund for loss of assets of which the custody has been delegated to CACEIS Bank Netherlands Branch 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.

## 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. Furthermore, the Fund Manager annually performs a Systemic Integrity Risk Analysis (SIRA) in which the risks are evaluated against the risk appetite as embodied in its Risk Appetite Statement (RAS). The overall risk appetite of the Fund Manager is classified as 'Low' to 'Moderate', with the individual levels

of risk tolerance per category ranging from 'Low' (Reputation, Compliance & Integrity and Operational) to 'Moderate' (Strategic and Financial). A detailed description of the Fund's risk management is provided on pages 31-34 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 2021 the Fund Manager has not exercised its voting rights.

### **Code of Ethics**

EQT Life Sciences has a Code of Ethics which forms a basis of its Compliance Framework. This Code describes the behavioural standards EQT Life Sciences expects from its employees. All employees must sign the Code at onboarding; by signing the Code they commit to act in accordance with it. All employees sign for adherence to the Code of Ethics on an annual basis. The Code can be referenced via <https://eqtgroup.com/eqt-policies-and-statements>.

### **Human resources**

The Fund does not employ any personnel. The management of the Fund is entrusted to the Fund Manager.

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

During the year 2021 the Fund Manager incurred staff expenses of Euro 1.7 million (2020: 1.4 million). Of this amount Euro 1.4 million (2020: 0.8 million) was fixed remuneration and Euro 0.3 million (2020: 0.6 million) was variable.

Of the total remuneration referenced above, Euro 0.5 million (2020: 1.0 million) related to the directors of the Fund Manager. This consists of a fixed remuneration of Euro 0.5 million (2020: 0.6 million) and a variable compensation for the period of Euro 29 thousand (2020: 0.4 million).

The total remuneration that is attributed to managing the Fund for the period amounts to Euro 0.2 million (2020: 0.6 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 below show the breakdown of the remuneration attributed to the management of the Fund for the current and prior period. For the year 2021 the allocation to the Fund amounts to 9.2% (2020: 42.3%) of the total remuneration. The change in allocation is caused by the AIFMD restructuring at LSP Group level, resulting in additional investment funds being brought under management of LSP Advisory B.V. during the reporting period.

<b>2021</b>	<b>Beneficiaries</b>	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
<b>In Euro's</b>		<b>remuneration</b>	<b>remuneration</b>	<b>Remuneration</b>
Directors	4	45,178	2,644	47,822
Identified staff	12	56,908	18,224	75,132
Other employees	11	26,567	3,380	29,947
<b>Total</b>	<b>27</b>	<b>128,653</b>	<b>24,248</b>	<b>152,901</b>



2020	Beneficiaries	Fixed	Variable	Total
In Euro's		remuneration	remuneration	Remuneration
Directors	2	254,383	153,673	408,056
Identified staff	1	13,466	30,861	44,327
Other employees	2	80,634	61,723	142,357
Total	5	384,483	246,257	594,740

The increase in the number of beneficiaries from 5 to 27 is also tied to AIFMD restructuring which effectively combined both the public and private investment teams into one organisation, operating under a single AIFMD license.

### **Sustainable Finance Disclosure Regulation**

As of 10 March 2021, the new Sustainable Finance Disclosure Regulation (SFDR) is in effect. The SFDR stems from the European Commission's initiative to promote sustainable investment across the European Union and is part of the EU's 2018 Action Plan on Sustainable Finance. In order to comply with the SFDR, the AIFM has assessed the environmental, social and governance (ESG) related characteristics of the Fund and makes the following disclosures in order to comply with the SFDR:

#### *Integration of sustainability risks (article 6(1) (a) SFDR)*

A sustainability risk means "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment". Before an investment decision is made on behalf of a Fund, the AIFM follows a structured investment decision process as detailed in the Administrative Organization and Internal Control guide of the AIFM. Part of the investment decisions process is that the risk management function of EQT Life Sciences assesses the risks attached to a potential investment opportunity, which includes sustainability risks. Identified sustainability risks are taken into account by the investment team of the Fund when making investment decisions.

#### *Likely impact of sustainability risks on return (article 6(1) (b) SFDR)*

The AIFM has analysed the sustainability risks - including extreme weather events, natural disasters, water crises, spread of infectious diseases and resource scarcity – of the portfolio companies. Mainly based on the geographical location of the portfolio companies and the nature of their development and production processes, the AIFM deems the likely impact of sustainability risk on the return of the Fund to be low.

#### *Fund level disclosures (article 11 SFDR)*

For the purposes of article 11 of the SFDR, the AIFM considers that the Fund is a financial product which promotes, among other characteristics, environmental and social characteristics as referred to in article 8 SFDR, and in this respect makes the following disclosures:

### *Environmental and social characteristics*

The Fund promotes reducing society's unmet medical need by investing predominantly in companies that are developing treatments for life threatening diseases or serious debilitating conditions.

### *Good governance*

In the fundamental due diligence process of the Fund the prospective portfolio company is assessed on its practices with respect to good governance. Such good governance practices include (i) a sound management structure with a (supervisory) board that monitors the company's executive management, (ii) an appropriate level of employee ownership and (iii) compliance with national and international tax compliance standards.

### *How the environmental and social characteristics are met*

To determine to what extent this societal characteristic is attained, the Fund aggregates the total number of products that address these unmet medical needs across all its portfolio companies. Kindly refer to the Responsible Investment Report as included in back of the annual 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, including the internal and external provision of (financial) information. 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 AIFM 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 year 2021 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 31 December 2021 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.

## **Recent developments**

In November 2021, LSP and EQT, a leading global investment firm, announced an agreement to acquire LSP in order to strengthen EQT's position as one of the leading and most active investors in the healthcare sector. The transaction was subject to customary closing conditions, including antitrust, regulatory and certain fund investor clearances. The transaction has closed at the end of February 2022. The team, investment process and decision making will not be impacted by the transaction and hence no adverse impact for the Fund and its investors is anticipated. Following the acquisition, LSP has been rebranded to EQT Life Sciences.

## **Outlook**

Following a peak in the biotech sector in Q1 2021, the markets turned and closed some 20% down for the year making the year one not to remember. As seen many times before, in a risk-off environment, it is the smaller cap companies – the focus of the fund – that tend to get hit the hardest. Irrespective of the fundamental underlying value and – importantly – the huge disparity between companies, some having late stage and marketed products (being lower risk), other being still in the R&D phase (being higher risk). The fund's risk profile, although intrinsically high risk given sector focus, does provide for a balanced risk profile. While the Healthcare sector as a whole gained a lot of momentum following the Covid Crisis that hit the world in 2020 where it seemed as if the general public (and many retail investors) had suddenly become aware of the importance of the healthcare sector – and in particular the biopharmaceutical sub sector targeting the development of innovative drugs – thus flocking into healthcare stocks as a result, the opposite seemed to have happened in 2021. Unfortunately, outlook for the sector – short term – is mixed at best. Geo-political tensions, interest rate rises, inflation, energy prices, all play a role in pushing the general markets into further risk-off territory. This means that the fund's holdings may not be performing well in the short term or – at the very least – show high volatility, even more than is typical. In these times, investors tend to move into large cap stocks, while the small- and mid-cap stocks are being sold. This may or may not continue for some time although history has shown that interest in the most innovative small cap companies, finds momentum at some point. The fund was established with the strategy of finding such small to mid-sized interesting, innovative healthcare companies in Europe and the US – with a particular focus on drug/therapeutic development companies. Despite the market turmoil that we have seen in 2021 and – again – in the first half of 2022, – our strategy of investing based on extensive due diligence of fundamental assets and technology has not changed.

The fund typically holds 15 -20 conviction buys in the portfolio at any one time. In total, the fund held on average around 18 companies in 2021, spread across a range of different therapeutic areas and strategies. This is a relatively high-risk sector and not without its setbacks. As is to be expected, not all companies in the portfolio are going to be successful. Still, the LSP Life Sciences Fund continues to invest in and support really exciting medical innovations. Our strategy is to always invest in treatments which can truly make a difference to patients. It has been a busy and productive half-year for the LSP Life Sciences Fund. We maintained our focus and our strategy and continue to find exciting new investment opportunities and will maintain this focus into the rest of the year. Due to the pandemic, health and healthcare has never been more important to our lives and to the global economy – it is also part of the DNA of LSP. We are 100% focused on finding those companies which have the potential to develop ground-breaking treatments which can truly change the course of disease and change people's lives. We support and nurture companies in whatever way we can to help ensure these medicines reach patients. There has never been a more exciting time to invest in healthcare.

### **Disclosure in respect of COVID-19 virus**

Economic expectations and prospects for capital markets were revised sharply downwards in the first quarter of 2020 due to the spread of the Covid-19 (commonly referred to as ‘Corona’) virus. Extensive measures have been taken worldwide to contain the virus. It is clear that these measures will have a huge impact on the economy. Central bankers and governments have announced measures to mitigate the economic impact of the Covid-19 virus. The further course of the virus will determine how long the measures will remain in effect. These developments have a major impact on society and economies. In 2021 the impact on the Fund’s result were relatively limited. This mainly related to instruments that are valued at fair value (such as investments). However, this has not impacted the liquidity nor solvency of the Fund. The director follows developments closely, but it doesn’t expect that Covid-19 will have a material negative impact on either the Fund’s operations or financial position of the Fund going forward.

### **Russian invasion in Ukraine**

On 24 February 2022, Russia launched a military offensive against Ukraine. This led to widespread sanctions against Russia and heightened security and cyber threats. The situation in the region is changing rapidly; the Manager of the Fund is closely monitoring the situation and will take the actions it deems necessary to preserve and protect the interest of the investors of the Fund. This concerns, but is not limited to, ensuring compliance with the requirements of all international sanctions, proactive management of the assets of Fund in order to minimize risks and applying all protective measures and protocols with respect to the heighten cyber threats. Although the Fund does not hold assets in Ukraine, Russia or neighbouring countries directly, market disruptions due to current geopolitical events have a global impact and the consequences are uncertain. Any such disruptions may adversely affect the Fund's performance. The Manager of the Fund continues to monitor the developments and evaluate their implications for the Fund.

Amsterdam, 26 May 2022

The director

**LSP Advisory B.V.**

Mark Wegter

Merijn Klaassen

## **SUPERVISORY BOARD REPORT**

In accordance with the Fund documents, the Supervisory Board of the Fund meets at least quarterly and at such times as the Supervisory Board or the directors of the Fund Manager deem necessary. During the year 2021, the Supervisory Board held 3 regular meetings together with the directors of the Fund Manager, in addition to a number of informal meetings between the Fund Manager and the Board.

During these meetings the Supervisory Board has discussed a wide range of subjects including the investment strategy and investment performance, the Fund's operations, human resources and the interaction with third party service providers (e.g. depositary, custodian, fund agent, fund administrator and brokers), the principles of fund governance, compliance and regulatory related matters as well as the monitoring and adherence to the investment restrictions and the Socially Responsible Investment practices and procedures of the Fund.

Furthermore, the Supervisory Board has overseen the financial reporting process, including the preparation of the annual account and the corresponding auditor communication. It also monitored the effectiveness of the internal controls and the risk management of the Fund.

During the Annual General Meeting of Shareholders in May 2021, Maarten Scholten was appointed as member of Supervisory Board of the Fund, subject to approval by the AFM. In December 2021 such approval was obtained, and the appointment was effectuated.

The Supervisory Board declares that all of its members were independent of one another as well as in respect of the Fund and the Fund Manager.

Amsterdam, 26 May 2022

Onno Paymans (chair)

Maarten Scholten

## KEY FIGURES

(in thousands of Euro's, except per share data)

	2021	2020	2019	2018	2017
Net Asset Value	37,852	58,254	58,502	71,477	75,028
Number of shares outstanding	170,626	201,517	252,924	333,247	319,169
Net Asset Value per share	221.84	289.07	231.30	214.48	235.07
Share price performance	-23.3%	25.0%	7.8%	-8,8%	38.80%
Net Result	-13,295	10,389	6,626	-6,848	21,646
Ongoing charges figure (OCF)	2.04%	2.22%	1.97%	1.92%	2.01%
Performance fee figure <sup>1</sup>	0.00%	5.71%	0.00%	0.00%	2.77%
Turnover Ratio	331%	239%	145%	239%	360%

1) The performance related fees expressed as a percentage of the Fund's average Net Asset Value (NAV)

# FINANCIAL STATEMENTS

## BALANCE SHEET on 31 December 2021

(in thousands of Euro's, before appropriation of the result)

	Note	31 December 2021	31 December 2020
<b>Assets</b>			
<b>Investments</b>			
	<b>1</b>		
Investments in securities		36,401	55,013
Investments in derivatives		-	3,470
		<u>36,401</u>	<u>58,483</u>
<b>Current assets</b>			
Receivables	<b>2</b>	10	4
Cash and cash equivalents	<b>3</b>	1,665	2,688
		<u>1,675</u>	<u>2,692</u>
<b>Total assets</b>		<u>38,076</u>	<u>61,175</u>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>			
	<b>4</b>		
Issued share capital		171	202
Share premium		-	-
Other reserves		50,976	47,663
Unappropriated result		-13,295	10,389
		<u>37,852</u>	<u>58,254</u>
<b>Current liabilities</b>			
	<b>5</b>		
Creditors and accrued expenses		224	2,921
<b>Total liabilities and shareholders' equity</b>		<u>38,076</u>	<u>61,175</u>
Net Asset Value per share (in Euro's)		221.84	289.07



## PROFIT AND LOSS ACCOUNT for the year 2021

(in thousands of Euro's)

	Note	2021	2020
<b>Income from investments</b>			
Dividends on securities		-	5
Income from lending		107	98
		107	103
<b>Realized movements in investments and current assets 6</b>			
Realized movements on securities		4,852	5,889
Realized movements on derivatives		3,251	-
Currency results on cash accounts		-2,544	1,958
		5,559	7,847
<b>Unrealized movements in investments and current assets 6</b>			
Unrealized movements on securities		-14,508	3,621
Unrealized movements on derivatives		-3,061	3,061
		-17,569	6,682
<b>Expenses</b>			
Management costs	7	746	3,443
Depositary costs	8	92	132
Fund operational costs	9	174	202
Interest expenses on cash accounts		380	466
		1,392	4,243
<b>Taxes</b>	<b>10</b>	-	-
<b>Result for the year</b>		-13,295	10,389

## CASH FLOW STATEMENT for the year 2021

(in thousands of Euro's)

	2021	2020
<b>Cash flows from investment activities</b>		
Net result	-13,295	10,389
Realized movements in investments	-8,103	-7,847
Unrealized movements in investments	20,113	-6,682
Purchase of investments	-75,966	-66,867
Sale of investments	88,582	79,015
Change in amounts receivable	-6	41
Change in current liabilities	-2,679	685
<b>Total cash flows from investment activities</b>	<b>8,628</b>	<b>8,734</b>
<b>Cash flows from financial activities</b>		
Issue of shares	4,571	10,622
Redemption of shares	-11,678	-21,259
<b>Total cash flows from financial activities</b>	<b>-7,107</b>	<b>-10,637</b>
Currency results on cash accounts	- 2,544	1,958
<b>Net cash flow for the year</b>	<b>-1,023</b>	<b>55</b>
<b>Movement in cash and cash equivalents</b>		
Opening balance	2,688	2,633
Closing balance	1,665	2,688
	<b>-1,023</b>	<b>55</b>

## SELECTED NOTES TO THE FINANCIAL STATEMENTS

### **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 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 and its ISIN Code is NL0009756394. 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 and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving') 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

The Manager is not aware of material uncertainties that could give rise to for significant doubts about the going concern of the Fund. The Fund is subject to normal market fluctuations and risks inherent in the investment strategy. The Manager monitors the share issuance and redemption, as well as the liquidity of the investments. The liquidity of the investments is monitored. In the event of a large outflow, the manager of the Fund has the power to (temporarily) suspend redemptions as described in the prospectus. As such, there is no reason to assume that there will be redemptions that affect continuity of the Fund. The financial statements have been prepared on the basis of the going concern assumption.

### Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

### Disclosure of estimates

In applying the principles and policies for preparing the financial statements, the directors of the Fund make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

### 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 31 December 2021, in Euro	
United States Dollar	0.879353
Swedish Crown	0.097125

### Asset and Liabilities

Assets and liabilities are generally measured at historical cost, 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 Fund 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 Fund. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

### Investments

#### *Securities*

Investments are initially and subsequently measured at 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. Any realized and unrealized change in value is taken into the Profit and Loss account in the respective reporting period.

### 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 Fund'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 Fund.

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 Fund, 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 Fund, because in that case the economic benefits and costs are for the account and risk of the Fund.

### Receivables and other assets

Other receivables are initially measured at the fair value of the consideration to be received. Receivables are subsequently measured at the amortised cost price 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 initially measured at the fair value of the consideration to be paid and are subsequently measured at the amortised cost price 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.

### Accounting principles for determining the result.

The result is the difference between the realisable value of the assets and the costs and other charges during the year.

The results on transactions are recognised in the year in which they are realised.

### Financial income and expenses

Declared dividends from securities measured at historical cost are recognised as soon as the Fund has received the right to these. 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.

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur, unless hedge accounting is applied.

Changes in the value of financial instruments recognised at fair value are recorded in the profit and loss account.

### 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.

### Expenses

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

### Cash Flow statement

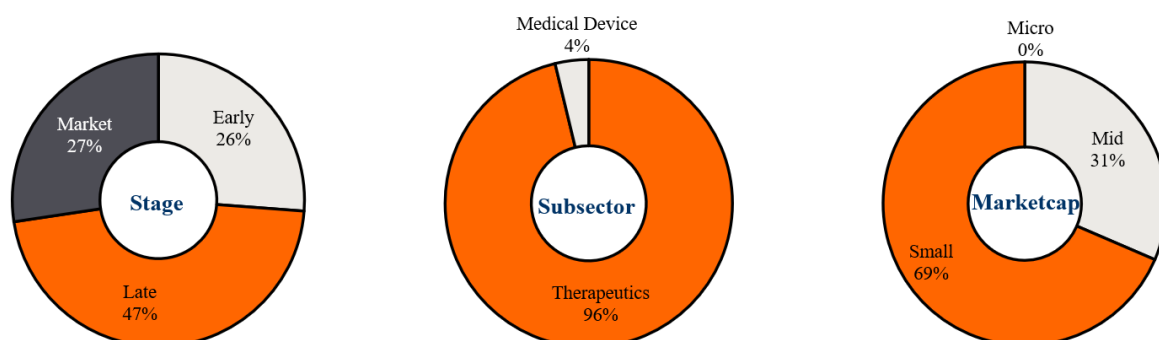
The Cash Flow statement has been prepared using the indirect method. The cash items disclosed in the Cash Flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the Cash Flow statement. Interest paid and received, dividends received are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, are not recognised in the Cash Flow statement.

## Notes to balance sheet

### 1. Investments

	31 December 2021	31 December 2020
<b>Securities</b>		
Market value beginning of period	55,013	58,060
Purchases	75,966	66,458
Sales	-84,922	-79,015
Unrealized price movements	-15,496	4,625
Unrealized currency movements	988	-1,004
Realized price movements	4,434	6,749
Realized currency movements	418	-860
Market value at end of period	<u>36,401</u>	<u>55,013</u>
<b>Derivatives</b>		
Market value beginning of period	3,470	-
Purchases	-	409
Sales	-3,660	-
Unrealized price movements	-3,061	3,061
Realized price movements	3,251	-
Market value at end of period	<u>-</u>	<u>3,470</u>

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 31 December 2021 is shown below.



Stage at year end	2021	2020
Early Stage	26%	25%
Late Stage	43%	46%
Market	31%	29%

Subsector at year end	2021	2020
Therapeutics	96%	100%
Medical Device	4%	-
Specialty Pharma	-	-

Marketcap at year end	2021	2020
Microcap	-	-
Smallcap	69%	50%
Midcap	31%	50%

### Portfolio breakdown

The below table shows the portfolio breakdown of the Fund per 31 December 2021 grouped per company as a percentage of the total Fund's Net Asset Value.

Company	Stage	Subsector	Marketcap	%
Calliditas Therapeutics	Late	Therapeutics	Small	17.7%
Abivax	Late	Therapeutics	Small	10.2%
Albireo Pharma	Market	Therapeutics	Small	8.5%
Arrowhead Pharmaceuticals	Early	Therapeutics	Mid	8.0%
Uniqure	Late	Therapeutics	Small	6.4%
Allogene Therapeutics	Early	Therapeutics	Mid	5.2%
Rhythm Pharmaceuticals	Market	Therapeutics	Small	5.1%
Intra Cellular Therapeutics	Market	Therapeutics	Mid	5.1%
Merus	Early	Therapeutics	Mid	4.4%
Amarin Corp	Market	Therapeutics	Mid	4.1%
Onward Medical	Late	Medical Device	Small	3.6%
Achilles Therapeutics	Early	Therapeutics	Small	3.6%
Blueprint Medicines	Market	Therapeutics	Mid	3.5%
Compass Pathways	Late	Therapeutics	Small	3.5%
Otonomy	Late	Therapeutics	Small	3.3%
AC Immune	Early	Therapeutics	Small	2.7%
TCR2 Therapeutics	Early	Therapeutics	Small	1.4%
				96.3%



## 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 CACEIS Bank Netherlands Branch as counterparty which is a reputable financial institution. At year end, the Fund has not lent out any securities (2020: Euro 7,789 thousand) and - thus – did not receive any securities as collateral (2020: Euro 7,944 thousand).

## 2. Receivables

All receivables fall due within one year.

## 3. Cash and cash equivalents

The cash at banks are held with CACEIS Bank, Netherlands Branch and are available on demand.

Cash account	at 31 December 2021		at 31 December 2020	
	in Local Currency	in Euro	in Local Currency	in Euro
Euro	1,665	1,665	2,688	2,688
<b>Total</b>		<b>1,665</b>		<b>2,688</b>

## 4. 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 31 December 2021 amounts to 170,626.

	31 December 2021	31 December 2020
<b>Issued share capital</b>		
Balance at beginning of period	202	253
Issued	18	44
Redemption	-49	-95
Balance at end of the period	171	202
<b>Share premium account</b>		
Balance at beginning of period	-	9,142
Issue of shares	-	10,578
Redemption of shares	-	-19,720
Balance at end of the period	-	-
<b>Other reserves</b>		
Balance at beginning of period	47,663	42,481
Result appropriation for previous year	10,389	6,626
Issue of shares	4,553	-
Redemption of shares	-11,629	-1,444
Balance at end of the period	50,976	47,663
<b>Number of issued shares</b>		
Balance at beginning of period	201,517	252,924
Issued	18,233	44,349
Redemption	-49,124	-95,756

Balance at end of the period	170,626	201,517
<b>Unappropriated result</b>		
Balance at beginning of period	10,389	6,626
Result previous year added to other reserves	-10,389	-6,626
Result for the period	-13,295	10,389
Balance at end of the period	-13,295	10,389
Number of shares	170,626	201,517
Net Asset Value	37,852	58,254
Net Asset Value per share (in Euro's)	221.84	289.07

### Appropriation of result

The Fund Manager proposes to deduct the net loss for the year ending 2021 from the other reserves. This proposal has not been included in the financial statements.

## 5. Current liabilities

**31 December 2021      31 December 2020**

### Creditors and accrued expenses

Interest	-	24
Share redemptions payable to shareholders	-	23
Fund operational costs	177	76
Management fee	47	77
Performance fee	-	2,721
	224	2,921

The creditors and accrued expenses are payable within one year.

The breakdown of the fund operational costs payable in the amount of Euro 177 thousand is provided below.

Fund administration fee	34	13
Auditor's remuneration	44	41
Advisory costs	8	8
Other Costs	91	14
	177	76

## Notes to the Profit and Loss account

### 6. Realized and unrealized movements in investments

	2021	2020
<b>Realized movements on securities</b>		
Realized gains / losses on securities	4,434	6,749
Currency results on securities	418	-860
	<b>4,852</b>	<b>5,889</b>
<b>Realized movements on derivatives</b>		
Realized movements on derivatives	3,251	-
Currency results on derivatives	-	-
	<b>3,251</b>	<b>-</b>
<b>Total realized movements</b>	<b>8,103</b>	<b>5,889</b>
<b>Unrealized movements on securities</b>		
Change in unrealized gains / losses on securities	-15,496	4,625
Currency results on securities	988	-1,004
	<b>-14,508</b>	<b>3,621</b>
<b>Unrealized movements on derivatives</b>		
Change in unrealized gains / losses on securities	-3,061	3,061
	<b>-3,061</b>	<b>3,061</b>
<b>Total unrealized movements</b>	<b>-17,569</b>	<b>6,682</b>

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 2021</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	18,906	-14,054	4,852
Derivatives	3,251	-	3,251
	<b>22,157</b>	<b>-14,054</b>	<b>8,103</b>
<b>Unrealized movements 2021</b>			
Securities	5,249	-19,756	-14,508
Derivatives	-	-3,061	-3,061
	<b>5,249</b>	<b>-22,817</b>	<b>-17,569</b>
<b>Realized movements 2020</b>			
Securities	23,711	-17,822	5,889
<b>Unrealized movements 2020</b>			
Securities	19,163	-15,542	3,621
Derivatives	3,061	-	3,061
	<b>22,224</b>	<b>-15,542</b>	<b>6,682</b>

## 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 loss of Euro 2,544 thousand (2020: gain 1,958 thousand), whilst the realized and unrealized currency result of the investments amounted to a gain of Euro 1,406 thousand (2020: loss 1,864 thousand). The net currency result of the Fund thus amounted to a loss of Euro 1,138 thousand (2020: gain 94 thousand).

## 7. 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 for the year amounts to Euro 746 thousand (2020: 722 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 227.67 at 31 December 2021. The high watermark is set to the Net Asset Value per share at the end of all preceding years, i.e. Euro 289.07. As the High Watermark exceeds the hurdle, the performance fee calculated with reference to this High Watermark. The Net Asset Value per share – before performance fee – as of period-end was Euro 221.84, and thus below the High Watermark. As such there is no performance fee for the period (2020: 2,721 thousand).

(in Euro per share)	31 December 2021	31 December 2020
Net Asset Value (before performance fee)	221.84	302.58
Hurdle	227.67	210.81
High Watermark	289.07	235.07
Excess performance	-	67.51
Performance fee (20% of excess performance)	-	13.50
Number of shares outstanding	170,626	201,517

## 8. Depositary costs

In connection with the Alternative Investment Fund Manager Directive (AIFMD) that came in force on 22 July 2014, the Fund has appointed CACEIS Bank, Netherlands branch 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.

<b>9. Fund operational costs</b>	<b>2021</b>	<b>2020</b>
Fund administration fee and bank fees	38	93
Remuneration of the Supervisory Board	20	26
Auditor's remuneration	44	41
Advisory costs	37	19
Other costs	35	23
	<hr/>	<hr/>
	174	202

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 fees listed above relate to the procedures applied to the Fund by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2021 financial statements, regardless of whether the work was performed during the financial year.

			<b>2021</b>
	PwC Accountants N.V.	Other PwC network	Total PwC
Audit of the financial statements	44	-	44
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	<hr/>	<hr/>	<hr/>
	44	-	44

	KPMG Accountants N.V.	Other KPMG network	<b>2020</b>  Total KPMG
Audit of the financial statements	41	-	41
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	<hr/> 41	<hr/> -	<hr/> 41

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

	Actual costs	Prospectus
Management fee	746	746
Performance fee	-	-
Depositary costs	92	}
Fund operational costs	174	224
	<hr/> 1,012	<hr/> 970

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 depositary costs are not mentioned separately but are included in the Fund operational costs.

**Portfolio Turnover Ratio**

The portfolio turnover ratio refers to the measure of trading activity in the Fund's portfolio. The portfolio turnover rate is a percentage of the portfolio that is bought and sold in exchange for other stocks. The portfolio turnover ratio is calculated by taking the amount of new securities purchased and the amount of securities sold minus the amount for redemption and issue of own shares over the financial year. The result is expressed as a percentage of the average Net Asset Value (NAV). The average Net Asset Value is calculated, in accordance with the generally accepted accounting principles in the Netherlands, as the average of all calculated and published NAV's during the year. The portfolio turnover ratio for 2021 amounts to 331% (2020: 239%). As the portfolio turnover measure includes both the purchases as well as the sales of securities, it effectively corresponds to an average holding period of about 0.6 years, consistent with the Fund's investment strategy.

### Ongoing Charges Figure

The ongoing charges figure is the total amount of costs the Fund incurred in a year, expressed as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The performance related fees are excluded from the ongoing charges figure and are expressed separately as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The resulting OCF for 2021 is 2.04% (2020: 2.22%). The resulting percentage of the performance fee for 2021 is nil (2020: 5.71%).

### 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 Supervisory Board

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 20 thousand (2020: 26 thousand).

<b>Supervisory Board member</b>	<b>2021</b>	<b>2020</b>
Pauline Bieringa (partial year 2020)	-	12
Onno Paymans	20	14
	<hr/>	
	20	26

## 10. Taxes

Given the Fund's status as an exempt investment entity ('Vrijgestelde BeleggingsInstelling' or 'VBI'), no taxes are due on the result.

## **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 risk
- Liquidity risk
- Counterparty risk, including settlement risk
- Operational risk, including fraud, preservation and legal and tax compliance risk

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 year of 2021 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 31 December 2021 the 5 single largest holdings account for 51% of the Net Asset Value of the Fund (year-end 2020: 46%).

**(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 Swedish Crown and United States Dollar was largely hedged by contrary positions on the respective foreign currency cash accounts. Prior to year-end 2021, these offsetting positions were unwind. Early January 2022, the foreign currency hedge was re-established.

Net currency exposure	at 31 December 2021		at 31 December 2020	
	in Local Currency	in Euro	in Local Currency	in Euro
Swedish Crown	68,892	6,691	84,605	8,420
United States Dollar	29,048	25,544	35,602	29,098

**(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. Such corrective actions can, amongst others, consist of a rebalancing of the portfolio to more liquid investments, sell positions to increase liquidity and in extra-ordinary circumstances temporarily suspend the repurchase (redemptions) of shares of the Fund. With respect to the Fund’s liquidity profile at year-end 2021, 57% of the portfolio value could be liquidated within 1 day under normal market conditions and 30% of the portfolio value could be liquidated within 1 day in case of stressed market conditions.

### ***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 a net Euro 1,665 thousand as at 31 December 2021 (2020: 2,688 thousand), are held with the CACEIS Bank, Netherlands branch. The credit ratings of the CACEIS Bank, Netherlands branch is equalized with those of Credit Agricole, CACEIS’ ultimate parent. Per 27 October 2021, FitchRatings issued Long- and Short-Term Issuer Default Ratings (IDRs) to ‘A+/AA-’ and ‘F1+’, respectively for Credit Agricole.

In respect of securities lending transactions, the Fund runs the risk that CACEIS Bank, Netherlands branch as borrower of the securities cannot comply with its obligations to return the securities it borrowed from the Fund on the agreed date or furnish the requested collateral. Investors should take into account that: if CACEIS Bank, Netherlands branch fails to return the securities it borrowed from the Fund, there is a risk that the value of the collateral received may be less than the value of the securities lent to CACEIS Bank, Netherlands branch and delays in returning the securities borrowed from the Fund may have an adverse effect on the Fund’s capacity to meet its own obligations in relation to any sales transactions of such securities. Generally, securities lending transactions are entered into to enhance the Fund’s overall performance however, an event of failure or default by the borrower may adversely affect the Fund’s performance.

### ***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, misstatements in financial reporting, 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.

### ***Fraud risk***

The inherent risk of fraud is rated high in our overall risk assessment (SIRA): internal fraud can cause significant financial and reputational damage. To reduce that risk of fraud however, various measures are taken, including important control measures. Some control measures against operational risk (the four-eyes principle and access verification) also help to combat fraud. In addition, we use specific control measures to reduce the risk of fraud, such as authorization checks and automated segregation of duties in payment systems.

### ***Preservation risk***

To safeguard the assets of the Fund, the Fund uses an independent custodian, CACEIS Bank, Netherlands branch. 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**

LSP Advisory B.V., the directors and the members of the Supervisory Board qualify as a related party. In the reporting period the Fund Manager received a management fee of Euro 746 thousand (2020: 722 thousand) and a performance fee of nil in 2021 (2020: 2,721 thousand). The directors did not receive any compensation from the Fund during the reporting period. As disclosed in note 9, the members of Supervisory Board received an amount of Euro 20 thousand. Employees of the Fund Manager, EQT Life Sciences 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 2021 (2020: none).

### **Interests of Management and EQT Life Sciences**

The members of the Management and of the Supervisory Board had no interests in securities held by the Fund's portfolio as at 31 December 2021 (2020: no interests).

The members of the Management and of the Supervisory Board participate in the Fund against a market price. These persons own in aggregate 13,001 shares in the Fund (2020: 12,666 shares). The lock-up period as described in the prospectus of the Fund has expired.

**Subsequent events**

Management is not aware of any events that took place after balance sheet date that could have a material effect on the financial position of the Fund.

Amsterdam, 26 May 2022

The director

**LSP Advisory B.V.**

**OTHER INFORMATION**

## **PROFIT ALLOCATION AND DISTRIBUTION POLICY**

### **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.

### **Distribution 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.

**INDEPENDENT AUDITOR’S REPORT**



## *Independent auditor's report*

To: the general meeting of Shareholders, the director and the supervisory board of LSP Life Sciences Fund N.V.

### *Report on the financial statements 2021*

#### *Our opinion*

In our opinion, the financial statements of LSP Life Sciences Fund N.V. ('the Fund') give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2021 of LSP Life Sciences Fund N.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2021;
- the profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### *Independence*

We are independent of LSP Life Sciences Fund N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

### *Our audit approach*

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### *Overview and context*

LSP Life Sciences Fund N.V. is a public company with the status of an investment company with variable capital. 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 Fund is managed by LSP Advisory B.V. ('the Fund manager'). The Fund manager is also the director of the Fund ('the director'). The administrator of the Fund is CACEIS Bank, Netherlands branch ('the administrator'). The depositary of the Fund is CACEIS Bank, Netherlands branch ('the depositary') and the custody bank of the Fund is CACEIS Bank ('the custody bank'), Netherlands branch ('the custody bank'). In the paragraph 'The scope of our audit' we have outlined the organisational design of the Fund with a separate manager and depositary and the consequences for our audit.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the director made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In the paragraph 'Disclosure of estimates' in the financial statements the Fund describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

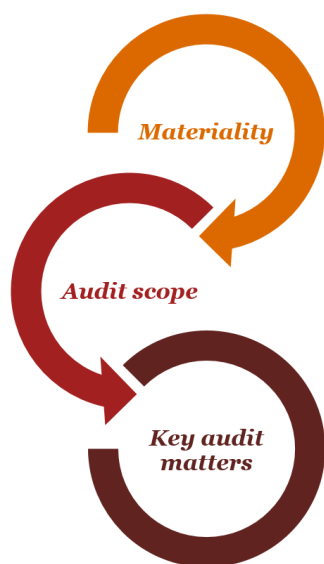
Given the nature of the Fund and the size of the accounts, our audit focused primarily on the existence and valuation of the investments in securities and the accuracy and completeness of the indirect results from these investments in securities. We considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the director that may represent a risk of material misstatement due to fraud.

The Fund assessed the possible effects of climate change on its financial position. We discussed the Funds’ assessment and governance thereof with the director and evaluated the potential impact on the financial position including underlying assumptions and estimates. The expected effects of climate change are limited and not considered a key audit matter.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of an investment fund.

The outline of our audit approach was as follows:



#### **Materiality**

- Overall materiality: €378,000

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#### **The Scope of the audit**

- The Fund is managed by LSP Advisory B.V. (‘the Fund manager’). The Fund manager is also the director of the Fund. The administrator of the Fund is CACEIS Bank, Netherlands branch. The depository of the Fund is CACEIS Bank, Netherlands branch;
- For our audit we make use of the ISAE 3402 type II reports of the administrator and depository for the year 2021.

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#### **Key audit matters**

- Existence and valuation of investments in investments in securities;
- Accuracy and completeness of indirect results from investments in securities.

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### **First-year audit consideration**

After our appointment as the Fund’s auditors, we developed and executed a transition plan. As part of this transition plan, we carried out a process of understanding the strategy of the Fund, its business, its internal control environment and IT systems (including an understanding of the internal control environment of the administrator and the depository). We looked at where and how this effected the Fund’s financial statements and internal control framework. Additionally, we read the prior year financial statements and we reviewed the predecessor auditor’s files and discussed the outcome thereof. Based on these procedures, we obtained sufficient and appropriate audit evidence regarding the opening balances. Furthermore, we prepared our risk assessment, our audit strategy and our audit plan, which we discussed with the director.

#### **Materiality**

The scope of our audit was influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.



Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

<b>Overall materiality</b>	€378,000
<b>Basis for determining materiality</b>	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of the net assets.
<b>Rationale for benchmark applied</b>	We used the Fund's net assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements and the considerations to sell and buy equity instruments of the Fund. On this basis, we believe that the Fund's net assets are an important indicator of the Fund.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €18,900 as well as misstatements below that amount that, in our view, require reporting for qualitative reasons.

### *The scope of our audit*

Given our ultimate responsibility for the opinion, we are responsible for the direction, supervision and execution of the audit of the financial statements. In doing this, we take into account the involvement of the director, the administrator, the custody bank and the depository. In this respect, we have determined the nature and scope of the procedures to be performed to ensure that we perform sufficient audit procedures to be able to give an opinion on the financial statements as a whole.

We obtained an understanding of the control framework of the director, custody bank, depository and the administrator. Based on this knowledge, we have identified internal control measures that are relevant to our audit of the financial statements. Subsequently, we received from the administrator, custody bank and depository an ISAE 3402 type II reports, certified by an independent auditor, on the design and operating effectiveness of the internal control measures at the administrator for the year 2021.

The management is carried out by the director and the administration is carried out by CACEIS. Based on the results of the ISAE 3402 type II report, we have established that there is sufficient segregation between the two functions. We evaluated the design effectiveness of internal controls at the director level. No significant findings were noted.



We have assessed the expertise and independence of the independent auditor. In addition, we have read and analysed the report. As part of this analysis, we have examined whether the internal control measures that are relevant for our audit of this fund were included in the report. Subsequently, we checked, based on our professional judgement whether the certifying auditor performed adequate procedures to be able to obtain sufficient and appropriate audit evidence on the design, implementation and operating effectiveness of these internal control measures. Finally, we assessed the results and the reported exceptions and weighed them for the impact on our audit approach.

The ISAE 3402 type II report for 2021 for the administrator included a qualified opinion. The director confirmed with the administrator that there was no relation between the control objectives with qualified opinion by the independent auditor and the service delivery to the director. Based on our analysis we concur with this conclusion. Therefore, this qualification did not have an impact on our audit procedures.

### *Audit approach fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. As in all of our audits, we addressed the risk of management override of controls, including evaluating whether there was evidence of bias by management of the director that may represent a risk of material misstatement due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the internal control system. This included the director's risk assessment process, the director's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to section 'fraud risk' in the financial statements under the chapter 'Risk factors and risk management' for the director's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system documented in the AO/IC manual (administrative organisation and internal control manual) as well as the code of conduct, whistle-blower policy, risk management framework, incident handling, conflicts of interest policy, Policy on private investment transactions and remuneration policy and the Systematic Integrity Risk Analysis (SIRA) which is the fraud risk assessment performed by the director. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

We asked board members of the manager, legal and compliance manager and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting on fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

As described in our auditing standards the risk of management override of controls and fraud risk in revenue recognition are presumed risks. The director is in a unique position to perpetrate fraud because of director's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We addressed this risk by evaluating whether there was evidence of management bias in estimates that may represent a risk of material misstatement due to fraud (for detailed procedures we refer to the key audit matters regarding the valuation of the investments). Our audit procedures include evaluating unexpected journal entry procedures supported by data analysis.



We have inquired by the director if transactions outside the normal course of business have occurred. No such transactions were applicable. With regard to the risk of fraud in revenue recognition, based on our risk analysis, we assessed this risk is not significant and therefore rebutted since we identified limited management pressure, incentive and opportunity from internal and external factors. The revenue from direct results is immaterial and revenue from indirect results contains limited judgement, is non-complex and systematic in nature.

We incorporated an element of unpredictability in our audit. We reviewed the correspondence with regulators. During the audit we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

### *Audit approach going concern*

The Fund has an open-end fund structure and invest predominantly in liquid assets. As at 31 December 2021, there are no material debt positions. The Fund holds liquid investments, which means that there is limited risk of liquidity problems in the event of a disruption in the financial markets. The Fund manager may temporarily or permanently suspend the sale or issuance of shares of the Fund. Inherent in the Fund's structure is that any investment losses are borne by the Fund's shareholders, so there is no solvency risk. The risk of discontinuity of the Fund is therefore estimated to be limited.

As disclosed in section 'Going Concern' in the financial statements, the director has made its assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks). Our procedures to evaluate the director's going-concern assessment included, amongst others:

- considering whether the director's going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the director regarding the director's most important assumptions underlying their going-concern assessment.
- evaluating the financial position as at year end compared to the previous year, the liquidity reports and all relevant information of which we are aware as a result of our audit;
- evaluating the prospectus regarding the director's option, described under 'Sale or issuance of Shares by the Fund, to defer payment of redemption proceeds in the event of insufficient liquidity or in other exceptional circumstances;
- performing inquiries of management of the director as to their knowledge of going-concern risks beyond the period of the director's assessment.

Our procedures did not result in outcomes contrary to director's assumptions and judgements used in the application of the going-concern assumption.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.



We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

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**Key audit matter****Existence and valuation of investments in securities***Note 1 in the financial statements*

The investments consist of investments in listed securities for €36M (2020: €58M) and are based on the accounting policies disclosed on page 19 of the financial statements. The investments are per 31 December 2021 96% of the balance sheet total.

The investments are measured at fair value. The fair value is determined based on observable market information.

The valuation and existence of the investments in securities is a key audit matter, as this determines to a large extent the Fund's net asset value. It is in the interest of the investors that the investments are held by the Fund and accurately measured. As a result, the audit procedures on the valuation and existence of the investments are an important part of our total audit procedures for the financial statements of the Fund. The Fund uses an independent custody bank to safeguard the investments.

The investment portfolio consists of investments in listed securities which is less subject and sensitive to estimates by the director. Nevertheless, the large volume, combined with the interest of the investors, justifies the importance in our audit towards existence and valuation of investments.

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**Our audit work and observations**

We obtained audit evidence with regards to the design, the implementation and the operating effectiveness of the internal control measures through the audit procedures outlined in the paragraph 'The scope of the audit'. We concluded that we, as far as relevant for the purpose of our audit, were able to rely on these internal control measures.

In addition to this, we performed substantive audit procedures.

We tested the existence of all investments in securities by sending and receiving confirmations from the depositary, independent of the director. No material differences were noted.

We evaluated the listed investments by comparing the fair value of the total investment portfolio per 31 December 2021 to the prices from external data vendors. No material differences were noted.

We also evaluated whether the explanatory notes of the investments, as included in the financial statements of the Fund, are adequate and complete and give the appropriate information on the nature, the financial results and the risk profiles of the investments in compliance with the applicable system of financial reporting. No material differences were noted.

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### **Key audit matter**

#### **Accuracy and completeness of indirect results from investments in securities.**

*Note 6 in the financial statements*

The total results from investments in securities are included in the profit and loss account and are based on the accounting policies disclosed on page 21 of the financial statements. The result for the year 2021 of the Fund amounts to a loss of €13M (2020: profit of €10M). This result consists of the following amounts: the direct results of positive result of €0.1M (2020: positive result of €0.1M), indirect result of investments amounts to a negative result €12 (2020: positive result of €14).

The indirect results consist predominately of realised and unrealised movements on securities.

The accuracy and completeness of the indirect results from investments in securities is a key audit matter, due to its relative significance and because revenue is an important element for the assessment of the performance of the Fund.

### **Our audit work and observations**

We obtained audit evidence with regards to the design, the implementation and the operating effectiveness of the internal control measures from the manager through the audit procedures outlined in the paragraph ‘The scope of the audit’.

We concluded that we, as far as relevant for the purpose of our audit, were able to rely on these internal control measures.

In addition to this, we performed substantive audit procedures on the indirect income of investments.

We tested the realized and unrealized movements on investments on securities through our test work of the valuation of the investments as at 31 December 2021. For further explanation of the audit of the valuation of the investment, see the previous key audit matter ‘Existence and valuation of investments’. Moreover, through a total reconciliation of the movements of the investments during the year, we tested whether indirect investment income was accurately and completely reported. We performed a total reconciliation between the purchase, sales and valuation of the investments (opening and closing balance) and recalculated the indirect result which we compared to the financial statements. For the accuracy and the completeness of the purchases and sales of the investments we relied on the purchase and sales reports from the administrator which are subject to the ISAE 3402 report of the administrator. No material differences were noted.

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## **Report on the other information included in the annual report**

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor’s report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the director’s report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code with the exception of the remuneration report required by sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code. A legislative amendment is being prepared whereby an investment fund managed by a manager to whom the Financial Supervision Act (‘Wft’) applies would already have to comply with the requirements of the remuneration regulations in the Wft and therefore section 2:135b and 2:145 subsection 2 of the Dutch Civil Code will be disregarded altogether.





We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the director's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The director and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

## ***Report on other legal and regulatory requirements***

### ***Our appointment***

We were appointed as auditors of LSP Life Sciences Fund N.V. by a resolution by the shareholders at the annual general meeting held on 31 May 2021. Our appointment represents a total period of uninterrupted engagement of one year.

### ***No prohibited non-audit services***

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

### ***Services rendered***

The services, in addition to the audit, that we have provided to the Fund, for the period to which our statutory audit relates, are disclosed in note 8 to the financial statements.

## ***Responsibilities for the financial statements and the audit***

### ***Responsibilities of the director and the supervisory board for the financial statements***

The director is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the director is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going-concern basis of accounting unless the director either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so. The director should disclose in the financial statements any event and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Fund's financial reporting process.





### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 26 May 2022  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. van der Spek RA



## ***Appendix to our auditor's report on the financial statements 2021 of LSP Life Sciences Fund N.V.***

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Concluding on the appropriateness of the director's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.



From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

# STATEMENT OF THE DEPOSITARY

## Considering that

- CACEIS Bank, Netherlands branch (“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 2021 up to and including 31 December 2021, (“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 Dutch 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, 26 May 2022

**CACEIS bank, Netherlands branch**

# RESPONSIBLE INVESTMENT REPORT

Product name: LSP Life Sciences Fund NV

Legal entity identifier: 724500YDP1CL5LKTUK53

## Environmental and/or social characteristics

This financial product promoted Environmental/Social (E/S) characteristics, but **did not make any sustainable investments**



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

● *How did the sustainability indicators perform?*

The Fund promotes reducing society’s *unmet medical need* by investing in companies that are developing treatments for life threatening diseases or serious debilitating conditions. To determine to what extent this societal characteristic is attained, the Fund rates the pipeline of the portfolio companies on a scale ranging from 1 to 5 according to the extent these products contribute to alleviating the unmet medical need. In addition, the products are classified according to the phase of their development.

Unmet medical need classification	Phase					
	Discovery	Preclinical	Phase I	Phase II	Phase III	Commercial
5   No alternative treatment	2	7	-	3	3	-
4   Very considerable treatment advantage	5	24	28	23	9	9
3   Considerable treatment advantage	1	2	2	4	-	-
2   Modest treatment advantage	-	-	-	-	-	-
1   No or very small treatment advantage	-	-	-	-	-	-

As per the reporting date, the portfolio companies of the Fund had an aggregate of 122 products in their pipelines, across various stages of development.

In order to provide an estimate of the impact on society, the products were also assessed on their respective target patient population as shown in below table.

Unmet medical need classification	Target patient population				
	> 5 mln	1 - 5 mln	0.1 – 1 mln	1k – 0.1 mln	< 1k
5   No alternative treatment	6	1	4	4	-
4   Very considerable treatment advantage	28	2	41	27	-
3   Considerable treatment advantage	4	-	4	1	-
2   Modest treatment advantage	-	-	-	-	-
1   No or very small treatment advantage	-	-	-	-	-

As per the reporting date, the 122 products in the pipelines of the portfolio companies that have either a very considerable treatment advantage of no alternative treatment option (classifications 4 and 5) have a combined target population in excess of 177 million patients.

Furthermore, all portfolio companies are assessed on their practices with respect to good governance. Such good governance practices include (i) a sound management structure with a (supervisory) board that monitors the company’s executive management, (ii) an appropriate level of employee ownership and (iii) compliance with national and international tax compliance standards. The assessment of the good governance practices of the portfolio companies as per the reporting date is shown in below table.

Good governance practice	Compliant portfolio companies	Non-compliant portfolio companies
Sound management structure	17	0
Appropriate level of employee ownership	17	0
Compliance with national and international tax compliance standards	17	0

To safeguard that the Fund does not invest in companies that significant harm any sustainable investment objective, the Fund has stringent exclusions criteria. The Fund excludes companies from its investment universe on the basis of environmentally or socially controversial products which includes amongst others the production of and trade in tobacco and distilled alcohol beverages; production of and trade in weapons and ammunition of any kind; the exploitation, supply and production of and trade in oil and gas; casinos and equivalent enterprises.

● ...and compared to previous periods?

As the Sustainable Finance Disclosure Regulation came into force during the reporting period, no comparative data is available.



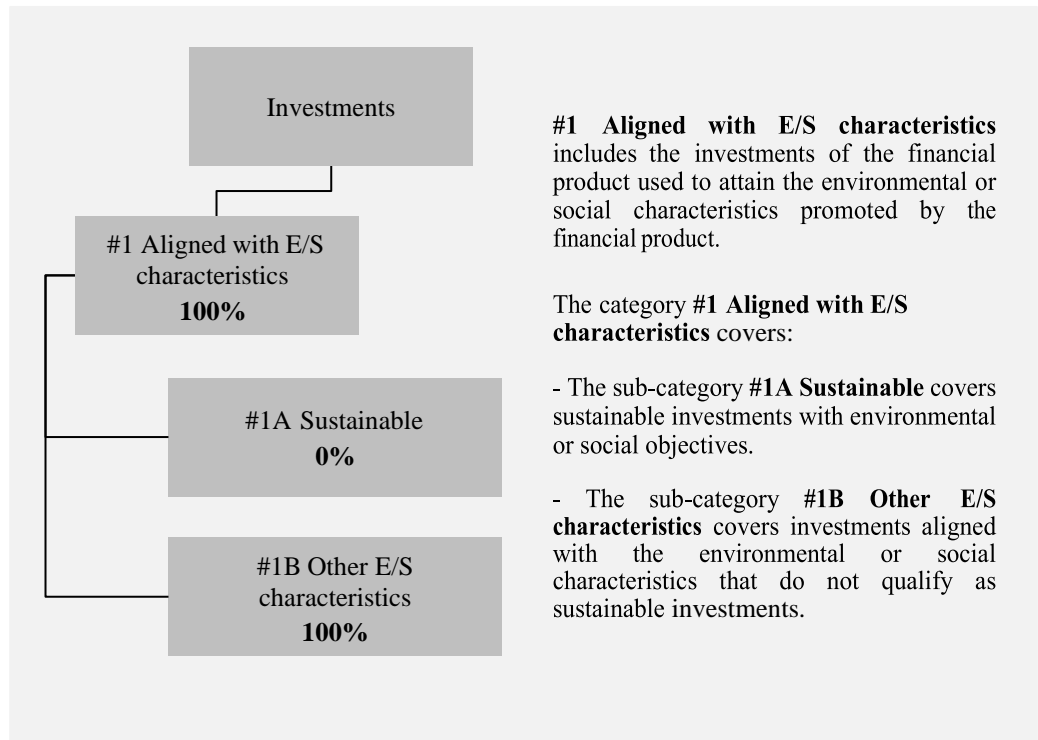
### What were the top investments of this financial product?

<b>Largest investments</b>	<b>Sector</b>	<b>% Assets</b>	<b>Country</b>
Calliditas Therapeutics	Therapeutics	17.7%	Sweden
Abivax	Therapeutics	10.2%	France
Albireo Pharma	Therapeutics	8.5%	United States
Arrowhead Pharmaceuticals	Therapeutics	8.0%	United States
Uniqure	Therapeutics	6.4%	Netherlands



### What was the proportion of sustainability-related investments?

● *What was the asset allocation?*



● *In which economic sectors were the investments made?*

The investments of the Fund are made in the Therapeutics (96%) and Medical Device (4%) sectors.





## **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

All prospective portfolio companies of the Fund are assessed on their potential for addressing unmet medical needs. This is in fact one of the prime criteria in the investment decision. After an investment is made, the Fund closely monitors the development of the respective portfolio company's product pipeline.

Furthermore, all current and prospective portfolio companies are assessed on its practices with respect to good governance. Such good governance practices include (i) a sound management structure with a (supervisory) board that monitors the company's executive management, (ii) an appropriate level of employee ownership and (iii) compliance with national and international tax compliance standards.

To safeguard that the Fund does not invest in companies that significant harm any sustainable investment objective, the Fund has stringent exclusions criteria. The Fund excludes companies from its investment universe on the basis of environmentally or socially controversial products which includes amongst others the production of and trade in tobacco and distilled alcohol beverages; production of and trade in weapons and ammunition of any kind; the exploitation, supply and production of and trade in oil and gas; casinos and equivalent enterprises.