

LSP Life Sciences Fund



Monthly Report October 2016

NAV per Share € 169.71

Performance

| YTD | 1 Month | 3 Months | 1 Year | 2 Years | 3 Years |
|--------|---------|----------|--------|---------|---------|
| -19.9% | -11.8% | -5.7% | -13.1% | 4.3% | 44.1% |

NAV of Fund 64,580,999

Number of Shares 380,521

Valuation Date 31/10/2016

Top-5 performers

| | |
|-------------------|-------|
| 1. Clinigen Group | 3.2% |
| 2. Evotec | -0.4% |
| 3. Neuroderm | -0.8% |
| 4. Genmab | -1.1% |
| 5. Galapagos | -2.6% |

Inception date: 27/04/2011

Currency: Euro

Domicile: The Netherlands

Legal Structure: Dutch NV with variable capital

Listing: Euronext Amsterdam

Euronext code: LSP

ISIN Code: NL0009756394

Bloomberg: LSP NA

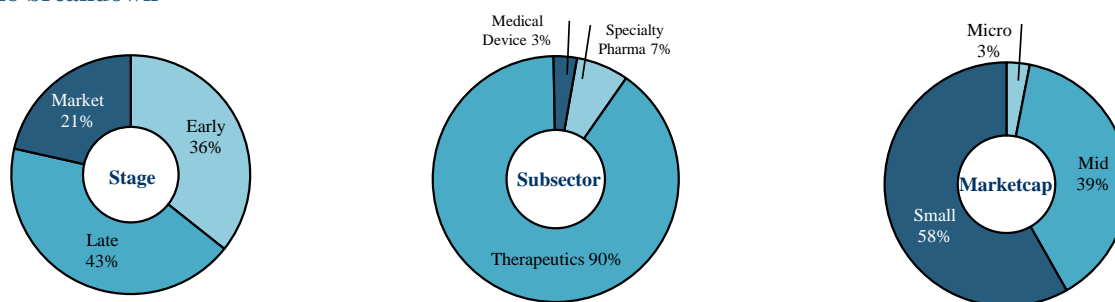
Investment strategy

The Fund's primary investment objective is to achieve capital appreciation by investing in a diversified, yet concentrated portfolio of publicly listed life sciences companies (including biopharmaceutical-, specialist pharmaceutical-, medical device-, drug delivery-, vaccine- and diagnostic companies). The majority of the Fund's portfolio will consist of European companies listed on one of the (main) European stock exchanges, with a market capitalization of below € 2.5 billion at the time of investment.

Manager's comments

The month of October turned out to include the three worst weeks for the biotech and pharma sector this year. As we described in last month's report, we were expecting the ongoing drug pricing discussion – in particularly in the US – coupled with the uncertainty around the outcome of the US Presidential elections, to continue to impact the market. We were expecting volatility to remain high as a consequence. However, the fact that The Street would actually “push the sell button” on biotech/pharma stocks indiscriminately the way it has this month and in particular on small- and mid-cap stocks, created an environment in which company fundamentals became irrelevant. So what has happened that made investors turn negative and decide to sell the sector? Looking back, in our view, the single most important trigger was the release of the Trump Locker Room Tape on October 7th. As of the moment of this release on that day, the polls started to improve significantly for Hillary Clinton, at the expense of Donald Trump. At the same time, the scenario of the Democrats gaining majority in the Senate and possibly even in the House of Representatives, became more of a reality. True or false, this scenario, whereby not only the Presidency, but also Congress would be controlled by the Democrats (generally referred to as a “Democrat Sweep”), is considered by the Street to be the “worst case” scenario for the sector. This is because the likelihood of implementing measures to curb healthcare expenditures related to drug pricing, is considered to increase in such a scenario. In other words: the underperformance of the sector is in our view correlated to the perceived election risks. As a result, the Nasdaq Biotech Index has lost 10% since October 7, bringing its YTD return to a loss of 23%. In less than three weeks, investors have seen more than USD 50 billion evaporate in biotech stock value. The small- and midcap segment within the sector, has been hit particularly hard, a phenomenon that is typical in a down market and high volatility. Given the Fund's exclusive exposure to small- and mid-cap companies, it also lost some 10% of its value since October 7th. During the month, the Fund's individual holdings developed mostly according to plan. On the positive side, ProQr, a Dutch biotech targeting Cystic Fibrosis, announced positive results from one of its Phase 1 clinical trials. Although we consider this data to be supportive of the treatment hypothesis underlying the company's technology, the stock hardly reacted. In fact, it closed down vis-à-vis the day before the results were announced. It shows that in an extremely volatile and negative environment that the sector finds itself in at the moment, fundamentally strong developments, are not necessarily rewarded by the market. The opposite is also true: in such an environment any company specific news that is perceived to be negative, significantly impacts a company's share price, at least short term. This month, we have seen such reactions with two of the Fund's portfolio holdings, e.g. with US Cemptra and Belgian Ablynx. Cemptra, a company developing an antibiotic for the treatment of pneumonia, that is scheduled to receive market clearance this year, ran into a delay because Cemptra's Contract Manufacturer for the drug, ran into problems with the FDA. These problems are not specific to Cemptra or its drug in any way, but are a generic problem of the Contract Manufacturer itself. When this news broke to the market, the stock ended the day 21% lower. The market is of the opinion that this delay has a material impact on the company's outlook. Another example of a stock that showed a strong negative response as a result of a negative development during the month, was Ablynx. On October 20th, it was announced that AbbVie will not take up their opt-in right to in-license Ablynx' rheumatoid arthritis (RA) drug. Following the successful completion of Phase 2 clinical trials this year, the drug is ready to enter Phase 3. As a result, the company announced its intention to re-partner the drug to another pharma company. With the timing of such a scenario uncertain - the stock ended the day some 15% lower. It would therefore appear that, at least until the resolution of the US elections, we are in a market that does not reward risk and severely punishes any negative news. Potentially after November 8th, the day of the US Presidential elections, we await a return to markets that trade again on fundamentals and less on sentiment.

Portfolio breakdown



Important information

LSP Advisory B.V. (as Fund Manager) and the LSP Life Sciences Fund N.V. (the Fund) have a license and are registered pursuant to the Dutch Act on Financial Supervision and are supervised by the Stichting Autoriteit Financiële Markten (Dutch Authority for the Financial Markets) and De Nederlandsche Bank N.V. (the Dutch Central Bank). This presentation is solely for information purposes and is not intended as advice in any way. The Fund Manager and the Fund cannot be held liable or responsible for the content of this presentation. Potential investors are advised to contact their investment- and fiscal advisor prior to taking an investment decision. There are risks involved in the investment. The value of the investment can fluctuate. Results achieved in the past offer no guarantee for the future. A Key Investor Information Document is also available for this product with information about the product, the costs and the risks involved. Read it before you invest in the product. The prospectus and the Key Investor Information Document of the LSP Life Sciences Fund can be downloaded via www.lspvc.com/funds/public.html

LSP Life Sciences Fund



Portfolio breakdown

| Company | Stage | Subsector | Marketcap | % |
|-------------------------|--------|------------------|-----------|------|
| Neuroderm | Early | Therapeutics | Small | 8.9% |
| Evotec | Early | Therapeutics | Small | 7.4% |
| arGEN-X | Early | Therapeutics | Small | 6.5% |
| Kite Pharma | Early | Therapeutics | Mid | 6.4% |
| Clinigen Group | Market | Specialty Pharma | Small | 6.4% |
| Forward Pharma | Late | Therapeutics | Small | 6.1% |
| Neurocrine Biosciences | Late | Therapeutics | Mid | 6.0% |
| GW Pharmaceuticals | Market | Therapeutics | Mid | 5.7% |
| Colucid Pharmaceuticals | Late | Therapeutics | Small | 5.3% |
| Ophthotech | Late | Therapeutics | Mid | 5.2% |
| Cempra | Late | Therapeutics | Small | 5.0% |
| Genmab | Market | Therapeutics | Mid | 4.9% |
| Ablynx | Late | Therapeutics | Small | 4.5% |
| Galapagos | Late | Therapeutics | Mid | 3.9% |
| ProQR Therapeutics | Early | Therapeutics | Small | 3.7% |
| Spark Therapeutics | Late | Therapeutics | Mid | 3.7% |
| Sphere Medical | Market | Medical Device | Micro | 2.0% |
| Lombard Medical | Market | Medical Device | Micro | 0.8% |

In Switzerland, the Fund may only be offered or distributed to qualified investors. For this, the Fund has appointed as Swiss Representative Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland, Tel: +41 21 311 17 77, email: info@oligofunds.ch. The Fund's paying agent is Banque Cantonale de Genève. Any Fund Documentation may be obtained free of charge from the Swiss Representative in Lausanne.