

LSP Life Sciences Fund



Monthly Report October 2015

NAV per Share

€ 195.20

Performance

YTD	1 Month	3 Months	1 Year	2 Years	3 Years
6.0%	-3.2%	-13.9%	20.0%	65.7%	97.5%

NAV of Fund	87,225,830
Number of Shares	446,833
Valuation Date	31/10/2015

Top-5 performers

1. Neurocrine Biosciences	23.4%
2. Forward Pharma	6.8%
3. Ablynx	4.3%
4. Ascendis Pharma	1.7%
5. Galapagos	0.5%

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 € 1 billion at the time of investment.

Manager's comments

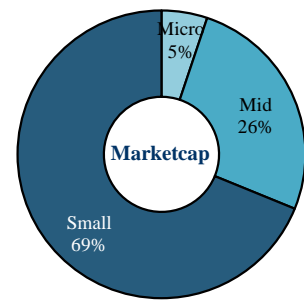
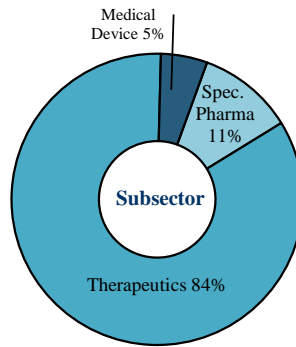
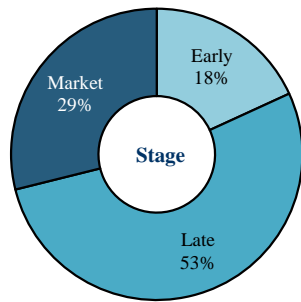
October has been another highly volatile month, in particular for the healthcare sector. Looking back to the past three – highly volatile months - the single event that triggered the sector turning from bull to bear, was the announcement of Biogen's Q2 figures on July 24th, 2015. The company published disappointing sales figures, more than halving its 2015 outlook guidance. The Biogen shares nosedived as a result, dropping from USD 410 a share to USD 300 a share in a day, wiping out billions of its market cap. In view of Biogen's importance in all (healthcare) indices and investment portfolios, this had a major negative impact on the – up to that point – very positive investor sentiment surrounding our sector. Then, in early August, shortly after Biogen disappointing investors, in a totally surprise move, the Chinese government devalued its currency. The move by China shook the financial world, having a huge impact on the global stock markets. All stocks moved down sharply, indices plummeted, volatility spiked and uncertainty grew. And then, in late August and in response to the highly publicised move by a tiny company to increase the price of a 65 year old drug, overnight, from USD 13.50 a tablet to USD 750 a tablet, Hillary Clinton tweeted that she would soon release a plan to combat the high cost of prescription drugs. Clinton's comment on Twitter sent the Nasdaq Biotechnology Index down 4.7 percent. On the day of Hillary's tweet, healthcare stocks were the worst-performing subgroup on the broader Nasdaq index. The above events (Biogen, China and Hillary's Tweet) explain – in our view – the turning of the markets. Uncertainty about China and global growth had a huge impact on the overall equity markets. Uncertainty about the FED's interest rate policy is deemed to have had a lot of influence as well. In addition, our sector has been hit over and over, in particular in September, due to worries surrounding the potential of drug sales and future growth of the sector on the one hand, coupled with worries surrounding the sustainability of "pharma's pricing model" on the other. We are of the opinion that these worries, are unfounded. The fundamentals of our industry are sound and its significant growth potential has not changed. Of particular interest in that respect are the Q3 earnings season that started this month. Biogen came out with excellent figures (beating consensus) and so did Actelion, Eli Lilly, Roche, J&J, Shire and others. More companies will follow in November. Long term however, more importantly than the Q financials, remains the fact that the need for new and innovative medication providing for safer and more effective therapy, remains very high. We thus remain focused on investing in those companies that we believe to be filling that void. The extremely volatile markets and the irrational, totally risk-off behaviour of the investment community in particular when it comes to our sector, provides for opportunity. We are thus buying, cautiously and prudently, in some of the names in our portfolio that are particularly hard hit and where we believe the growth potential is very high. We believe our portfolio to be in good shape and it does offer significant potential in the months to come. We remain committed to selecting for the most promising and undervalued companies in the small- and mid-cap healthcare space. This month, we had overwhelmingly good news in our portfolio (Relypsa, Cemptra, PTC) with only one company underperforming (Enanta). Going forward, volatility is likely to remain very high and we will be seeing more irrational reactions to company specific news, either good or bad. However, this will change at some point once the investment community starts to regain confidence in our sector and in its long term growth potential.

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	%
Cempra	Late	Therapeutics	Small	9.4%
Relypsa	Late	Therapeutics	Small	8.9%
Evotec	Late	Therapeutics	Small	6.8%
Genmab	Market	Therapeutics	Mid	6.6%
Clinigen Group	Market	Specialty Pharma	Small	5.9%
Circassia Pharmaceuticals	Late	Therapeutics	Small	5.6%
Morphosys	Late	Therapeutics	Mid	5.5%
ProQR Therapeutics	Early	Therapeutics	Small	5.3%
Ablynx	Early	Therapeutics	Small	5.2%
Ascendis Pharma	Early	Therapeutics	Small	4.0%
Neurocrine Biosciences	Late	Therapeutics	Mid	3.6%
Egalet	Market	Specialty Pharma	Small	3.5%
Forward Pharma	Late	Therapeutics	Mid	3.5%
uniQure	Market	Therapeutics	Small	3.0%
Lombard Medical	Market	Medical Device	Micro	2.7%
ZS Pharma	Late	Therapeutics	Mid	2.4%
PTC Therapeutics	Market	Therapeutics	Small	2.0%
Sphere Medical	Market	Medical Device	Micro	1.9%
Galapagos	Early	Therapeutics	Mid	1.6%
Celyad	Late	Therapeutics	Small	1.4%