

LSP Life Sciences Fund – Portfolio Update Note July 2017

With a year-to-date performance of +28%, the LSP Life Sciences Fund has enjoyed an outperformance over both the general and sector specific markets and indices. The fund performance has benefited from the improved markets versus 2016, but its outperformance can be attributed to very positive news flow from a number of investments in the portfolio, including M&A.

Yesterday, another of the fund's portfolio companies struck an all cash M&A deal worth at least USD 1 billion. This is the third such deal since the start of the year:

- In January 2017, **Forward Pharma**, the Danish Multiple Sclerosis company, struck a USD 1.3 billion all cash deal with Biogen Idec for the latter to protect its Multiple Sclerosis franchise.
- In March 2017, **CoLucid Pharmaceuticals**, the US migraine company, closed a USD 1 billion all cash deal to merge into Eli Lilly, the company it was originally spun-out of.
- In July 2017, **NeuroDerm Pharmaceuticals**, the Israeli Parkinson's company, announced a USD 1.1 billion all cash deal to be sold to Japan's Mitsubishi Tanabe Pharma; the deal marks the biggest ever sale of an Israeli pharmaceuticals company.

All three investments are exemplary of the Fund's strategy: seeking out the most innovative companies that offer significant benefit to society and – as a result – become prime targets to large biotech and pharma companies for M&A.

The premiums, that these large pharma and biotech companies are able and willing to pay, are significant and entirely driven by their need to fill or protect their existing product pipelines.

In the case of Neuroderm, the Fund made an 80% return on its investment since April 2016 when the position was initiated. Year-to-date, the stock returned 73%.

Neuroderm's key asset is a pump – quite similar to a diabetes pump – that delivers a fixed dose combination of two liquid drugs to treat a severe (e.g. late stage) form of Parkinson's disease. The key attribute of the product is that it offers significant benefit over Abbvie's Duopa which is a formulation of the same two drugs (Levodopa and Carbidopa) but is administered through a tube which has been surgically placed in the patient's small intestine. This treatment is a last resort and despite how desperate these patients become, it has very limited use due to the decreased quality of life associated with this procedure. This is in stark contrast with NeuroDerm's approach, which is to provide for the subcutaneous delivery of liquified Levodopa-Carbidopa combo via a pump, which is minimally invasive. This has profoundly positive safety, efficacy and quality of life implications for Parkinson's patients who no longer obtain relief from their oral levodopa/carbidopa.