

# LSP Life Sciences Fund

Monthly Report October 2018

**LSP**  
CONNECTING INVESTORS TO INVENTORS

NAV per Share € 238.09

## Performance

YTD	1 Month	3 Months	1 Year	2 Years	3 Years	5 Years
1.3%	-9.3%	-10.7%	8.5%	40.3%	22.0%	46.3%

## Top-5 performers

1. Amarin Corp	28.0%
2. Clementia Pharmaceuticals	16.6%
3. argenx	7.7%
4. Evotec	-4.9%
5. Galapagos	-6.9%

NAV of Fund	77,715,613
Number of Shares	326,401
Valuation Date	31/10/2018

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

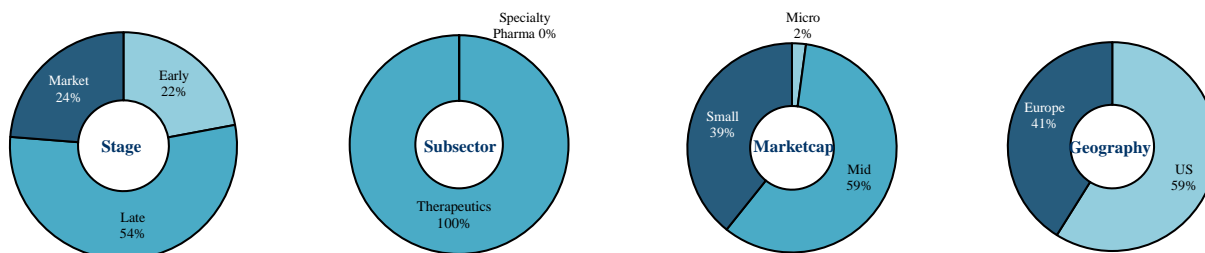
After a near constant stream of good news in the portfolio through the month of September, the trend continued in the month of October with many of the Fund's portfolio companies coming out with positive news and updates. At the same time, the month of October was also the worst month for the general equity markets in more than six years. The market was beset by worries over rising interest rates, trade tensions and a slowing global economy. Further fears of the receding tide of monetary policy stimulus have sent the FTSE's global benchmark tumbling 7.6% in October and left a third of the index members nursing at least a 20% decline for the year. The sell-off appears to have been initially triggered by the rise in US interest rates at the start of the month, then gathered pace as hedge funds exited positions and a few bellwether US industrial companies showed weaker growth than expected. Towards the end of the month – the markets appear to have found a bottom with many analysts hoping that fundamentals such as encouraging or even solid 3Q earnings reports would restore confidence. The healthcare sector and thus the LSP Life Sciences Fund, was also caught up in this general sell off. All the major healthcare indices – including the MSCI, NBI, XBI, STOXX – fell with amazing speed and severity. For instance, the NBI fell by almost 14% during the month. Only once in the past 10 years have we seen such a dramatic one month drop in the NBI. That was in January 2016, when the NBI fell by 21%. The last time the S&P 500 fell by 7% – like it did last month – was in September 2011, seven years ago. The Nasdaq index fell by more than 9%, hitting its lowest point on October 29th at -12.3%. Small caps were hit as well of course. The Russell 2000 small cap index lost almost 11% during the month. Again, we have to go back seven years to September 2011 to find a similar one-month loss. The sell off was not sector specific. It impacted all sectors and all equities, some more than others. The fact that Amazon lost 20% during the month which translates into a loss of some USD 200 billion of its market cap, had an impact, specifically on the technology sector. Obviously, the LSP Life Sciences Fund – being fully invested in small cap equity – was also hit. During the month, it lost 9% of its value. Since its launch in 2011, we have only seen such a drop 4 times: in November 2011 (Eurocrisis), January 2016 (fear of global growth dampening), October 2016 (run up to the US presidential elections) and last month. The drop in October 2016 was the only one which was specific to the healthcare sector (drug pricing).

So how did all this impact our thinking or strategy? The short answer? It did not. It actually never does. Sector specific developments – a technological breakthrough, a regulatory change, a scientific innovation and the like – may have influence on our focus because they may have impact on our investable universe; or they may even impact a specific (prospective) investment case. Market movements typically do not. So for us, the single most important factors influencing our strategy and focus, are developments within the portfolio or the sector in which we invest. We built investment cases for each individual holding, irrespective of where the markets are or how they behave in the short term. We are not in a position to call the short term movements of the broader market; nor do we make an attempt. We look for those companies that we believe will be able to grow based on their scientific, technological, clinical and commercial fundamentals and select for those 15 to 20 that together - we believe - offer an attractive risk/reward profile. Once we are invested, we look for the individual investment cases to come to fruition. Typically, progress (or not) is made over time and announced through the issuance of press releases or other. As long as the investment case remains intact, we will keep our position, no matter what. So what did we see happening in the portfolio in the past month? Not a single negative development. In fact, a number of our holdings actually made significant progress and made positive announcements. Rare disease company **Clementia** was one of the best performing stocks for the month; based on discussions with FDA, they will file for drug approval based on Phase 2 data rather than having to await the outcome of the Phase 3 studies – this considerably shortens the time to market. The highly innovative US cancer company **CytomX**, announced excellent Phase 2 proof of concept data for its lead and most important clinical program. Obviously, the company is not there yet and its risk profile is relatively high, but the first important validating step for its technology has been achieved. **Genmab**, the Danish biotech that lost around 12% during the month, announced positive Phase 3 data from the MAIA study which means that Darzalex should be approved for use in the first line setting (newly diagnosed patients) in multiple myeloma patients next year. A big step forward. The Belgian company **Galapagos** finalized a deal with AbbVie, handing over its rights for the cystic fibrosis (CF) franchise to AbbVie, ending a fraught relationship and leaving Galapagos free to advance other high potential programs, while retaining upside should the CF programs prove successful. Swiss women's health company **Obseva** announced final positive Phase 3 data for Nolasiban for infertility paving the way to file for approval. The company also announced positive data for its endometriosis program which is now in Phase 3. While there was no news from **argenx** during the month, UCB presented mixed data for its potentially competitive program in auto-immune disease which suggests that the argenx program is further advanced and superior, in line with our original investment case. All of this positive news came on the back of a flow of impressive results in September – see our September [note](#). The intrinsic value of the portfolio companies has increased with the events of the past few months – this has yet to be recognized by the market. Given the overwhelmingly positive news flow from the portfolio, it may be disappointing that there is no share price performance for the year as per the end of October. However, as we tried to explain, when markets go down the way they did last month, also the LSP Life Sciences Fund will trade down, irrespective of good developments in its portfolio. Still, the last two months of the year are important for the healthcare sector as a number of influential medical and scientific conferences will take place. Several of the companies in the portfolio (argenx, Morphosys, Genmab, Amarin amongst others) will be announcing and presenting new data at these conferences. Positive data and progressing innovative new treatments towards the market is the life blood of this industry. We remain confident in the ability of our portfolio companies to shine at these conferences. The markets have recently been heavily impacted by the macro-economic environment in which we now find ourselves. What we can control is the make-up of the portfolio and we believe it is in great shape. Ultimately, bringing new treatments to patients in need is the core purpose of these companies and the portfolio companies have made great progress. The main markets may remain volatile but launching new drugs will ultimately benefit everyone – ultimately including the shareholders.

# LSP Life Sciences Fund



## Portfolio breakdown



## Portfolio holdings

Company	Stage	Subsector	Marketcap	%
argenx	Late	Therapeutics	Mid	10.1%
Amarin Corp	Market	Therapeutics	Mid	9.8%
Galapagos	Late	Therapeutics	Mid	9.6%
Evotec	Early	Therapeutics	Mid	7.2%
ObsEva	Late	Therapeutics	Small	6.7%
Stemline Therapeutics	Late	Therapeutics	Small	6.4%
Aerie Pharmaceuticals	Market	Therapeutics	Mid	6.3%
Verastem	Late	Therapeutics	Small	5.9%
CytomX Therapeutics	Early	Therapeutics	Small	5.0%
Foamix Pharmaceuticals	Late	Therapeutics	Small	4.9%
Morphosys	Late	Therapeutics	Mid	4.7%
Zogenix	Late	Therapeutics	Mid	4.7%
Genmab	Market	Therapeutics	Mid	4.6%
Dova Pharmaceuticals	Market	Therapeutics	Small	3.6%
Merus	Early	Therapeutics	Small	3.4%
Viking Therapeutics	Early	Therapeutics	Mid	3.0%
Cocrystal Pharma	Early	Therapeutics	Micro	2.2%
Eloxx Pharmaceuticals	Early	Therapeutics	Small	1.8%
Clementia Pharmaceuticals	Late	Therapeutics	Small	1.5%
Uniqure	Late	Therapeutics	Small	1.0%

### 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](http://www.lspvc.com/funds/public.html)

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](mailto: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.