Quarterly Report Q3, 2018

Net performance of +32% for Q3, and +67% for YtD 2018

The third quarter was the best quarter of the year so far, delivering a net performance of +32,3%. This performance was driven by an exceptional performance of +20,6% in September, which to a large extent was a result of ProQR presenting very good clinical data. We elaborate further on ProQR and the data in the 'portfolio highlights' section below.

September was also the month in which we reached a fund size of 100 million euro and as a result the fund has to apply for an AIFM (Alternative Investment Fund Manager) license. Instead of having to go through a very distracting and time consuming process of getting this license, and hiring people to take care of the necessary future administrative work, we have decided to choose for another option. As many other European and Dutch funds did before us, we have chosen to team up with an AIFM regulated fund manager for the simple reason that, in such a way, we can continue to fully focus on our intensive research process, company selection and portfolio management.

We are currently in the process of a so called 'onboarding' with such a fund manager and we will inform you in more detail later this month. We expect to be able to accept investments from (new) investors again by the end of October.

Like in previous months, one might question whether the performance of the fund can continue at this pace over the coming quarters. We do not see any reason why it would not. With many upcoming milestones from a majority of our portfolio companies over the next two quarters, the significant undervaluation of their share prices should move in the direction of their intrinsic value. As soon as one of our portfolio companies gets close to our predetermined and calculated value, we will sell our position, since there will no longer be a major undervaluation. We will then simultaneously replace it with a new undervalued high-growth company driving our portfolio to grow in value on a continuous basis.

Aescap 2.0 always holds around 18 undervalued companies in its portfolio, being the most attractive at any given moment out of a dynamic pool of about 60 pre-selected companies, based on our intensive research process. The resulting buy & sell discipline should add a positive performance to our past performance on an ongoing basis. With nowadays more than 700 public medicine companies available, it is always possible to find unnoticed and attractive new investments opportunities.

Next week a part of the team is off to a gene- and RNA therapy conference in New York to meet with 15 companies. And that with just one goal, to invest in the best management teams, best technologies, and finally best medicines.

Upon several requests the newsletter can also be found as an attachment.

Value Update

Unit Value September 30, 2018:
€ 1.955,8161

Location (based on value):
Europe: 83%
US: 16%
China: 1%

Invested per Currency:
USD: 48%
EUR: 42%
DKK: 9%
SEK: 1%

Net Performance (from inception of the fund at March 28, 2016)

Since Inception	YTD	1 Month	3 Months	1 year
+ 95,6%	+ 66,5%	+ 20,6%	+ 32,3%	+ 50,9%

Top-5 Performers

1. ProQR N.V.	165%
2. Kiadis Pharma	59%
3. Hansa Medical	49%
4. Zealand Pharma	25%
5. Evotec	25%

Portfolio Highlights

ProQR

ProQR presented interim data from a clinical study in patients (in both adults and children) suffering from a devasting eye disease, called Leber's Congenital Amaurosis. The results of the RNA therapy being used were so good that the FDA in the US told the company it could stop the study and move into a pivotal clinical study right away. A pivotal study is intended to be the last study that needs to be performed before a company can file for approval of a new medicine. Before the end of the year the company is also going to initiate another clinical study in a different eye disease, called Usher Syndrome, using a similar technology.

After the clinical data in Leber's were released on September 5, the share price went up by 121% and increased even further the days after. We bought our largest part of ProQR shares at around $3 while the share price closed at $19,35 last Friday. Following the appreciation of the share price, the company raised $ 104 million to extend their cash runway, which in general is highly appreciated by investors.

Galapagos

The rheumatoid arthritis community was again presented very good clinical data from the medicine filgotinib. The share price evolved nicely on the news and also Galapagos made use of the higher share price to raise another $300 million to add to the 1 billion euro cash position they already have in their bank account. Galapagos is clearly planning for success and have already hired a commercial executive who has been responsible for the marketing of Humira, the most successful medicine of all time, and is planning to build a substantial European sales force. This sales force will be installed for the co-promotion of filgotinib in collaboration with license partner Gilead. But the company also plans to market other medicines in their pipeline that are targeting niche markets like IPF (Idiopathic Pulmonary Fibrosis) for which they already have three medicines in development.

Sangamo

The US based gene therapy company Sangamo is one of our new names in the portfolio. During September, the company presented mixed clinical study data on their first proprietary potential medicine indicated for a disease called Hunter Syndrome. This resulted in a sell-off by many short term investors that dumped the stock, which resulted in a significant decline of the share price. We are convinced, however, that this company has much more to offer than only this one product alone, that presented these mixed results. Sangamo was founded in 1995 and has been developing an extensive gene therapy platform with multiple technologies ever since. We value the longstanding experience and focus on gene therapy, combined with a broad pipeline including promising collaborations with big pharma companies. In the meantime the company has recovered nicely from its sell-off.

Hansa Medical

This Swedish company is developing a therapy that enables kidney transplants in so called sensitized kidney patients that were otherwise unable to find a suitable donor. Hansa Medical's medicine, called IdeS, has shown to enable a kidney transplantation for patients that otherwise required dialysis for the rest of their lives. IdeS can also reduce the waiting lists because donor kidneys can now be allocated to kidney patients more efficiently letting less kidneys go to waste. In September the company presented positive phase II results, and on the basis of this news the company reached our projected full value, so we decided to sell our position and replace it with a new undervalued and highly attractive high-growth company.

Outlook

With new treatment approaches like immuno-oncology, gene- and RNA therapy and many more maturing rapidly, we cannot recall a more exciting time in our careers in this field. As we have mentioned before these technologies have not been developed over the last few years, but often were initially invented over 20 years ago.

Being at the beginning of a period in which many highly innovative medicine will come to market, implies that it is of course important to invest in the best products and best management teams, but also the timing of such investments becomes even more crucial: not investing too early (taking too much risk), nor too late (share prices have already come too close to a fair value). To be part of this exciting process makes us go to work day after day with a lot of enthusiasm and determination, with the ultimate goal of enabling the funding of the best future therapies and to realize a good return for our investors at the same time.

Looking forward to report to you again next month.

Best regards on behalf of the Aescap team,

Aescap Medical Investments B.V.

Patrick J. H. Krol
Fund Manager Aescap 2.0

About Aescap 2.0

Aescap 2.0 is an open-end fund for joint account investing in public biotech companies that develop and market next generation medical treatments. Within its focused portfolio of around 18 companies it diversifies over different diseases, development phases and geographies. Companies are selected for their growth potential ('earning power') and limited risk (technological and financial).

The selection of companies is based on 'high conviction' - extensive fundamental analyses combined with intense interaction with management and relevant experts. The fund's performance is fueled by stock picking and an active buy and sell discipline. Biotech stocks are known for their extreme low correlation and high volatility, caused by media, macro-events and short-term speculative investors. This creates an ideal setting for a high conviction fund manager to invest in undervalued companies with a great mid- and long-term earning power. The fund has an average annual net performance target of 20%+.

Attention! This investment falls outside AFM supervision.
No prospectus required for this activity.

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