

SUPPLEMENT II TO THE PROSPECTUS OF AESCAP LIFE SCIENCES

This document constitutes supplement II (the “**Supplement II**”) to the prospectus of Aescap Life Sciences dated June 2020 (as supplemented by the supplements thereto dated March 2021) (the “**Prospectus**”).

This Supplement II contains updated information relating to the Prospectus and shall be implemented in the updated version of the Prospectus. Until this information is implemented, this Supplement should be read in conjunction with the Prospectus. Defined terms have the same meaning as ascribed to them in the Prospectus. Any Prospectus information not supplemented herein or in previous supplements should be regarded as unchanged.

1. The section entitled “2. Definitions” in the Prospectus is amended by the addition of the following definitions:

“**Article 8 classification**”: funds as defined under Article 8(1) of Regulation (EU) 2019/2088

“**SASB**”: the Sustainability Accounting Standards Board, an independent non-profit organization that sets standards to guide the disclosure of financially material sustainability information by companies to their investors.

“**SFDR**”: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended from time to time.

2. The section entitled “4.6. ESG Policy” is replaced by the following:

4.6 Sustainability

The Fund promotes social characteristics. In the context of the Sustainable Finance Disclosure Regulation (SFDR), the Fund is therefore classified as an Article 8 fund. Additional SFDR related disclosure regarding Article 8 can be found in a separate chapter of the Prospectus. Below, the details on how Fund Manager considers the effects of material sustainability risks on the value of the Fund’s investments in compliance with Article 6 of the SFDR can be found.

Sustainability risks are categorized into Environmental, Social or Governance (ESG) issues and may pose a material risk to the value of an investment.

Some examples of environmental risks are:

- Increased taxation on environmentally damaging activities
- Damage to production facilities due to global warming induced flooding
- Fines for mishandling of hazardous waste

Some examples of social sustainability risks are:

- Negative publicity and loss of contracts after poor handling of digital client data or security.
- Closer scrutiny of labor rights in the supply chain
- Dishonest marketing practices or product safety

Some examples of governance risks are:

- Increasing scrutiny on livable wages and earnings dispersion within a company
- Ethics bribery and corruption
- Anti-competitive behaviour

Policy on the integration of sustainability risks into investment decisions

Not all sustainability risks may have a material negative effect on the value of an investment. Also, the relevancy of each sustainability risk may differ based on the economic sector the investment is active in. Therefore, the Fund applies the Materiality Map of the Sustainability Accounting Standards Board (SASB) to determine which sustainability risks are material to consider in the investment decision-making process.

SASB has identified more than 25 sustainability risks divided across the E, S, and G topics. Dependent on the economic sector the investment is active in, these risks are marked either 1) not material, 2) not likely material, 3) likely material. For a risk to be classified as likely material, SASB has found that for over 50% of the companies active in that sector, the risk has a significant impact on the financial position or operational activities.

In each investment decision the relevant material sustainability risks are investigated using the following focus points:

- Policy and practices: Investigating if relevant sustainability risks to the investment are well covered by policies informs if all risks are sufficiently in scope and in control. If so, then the value of the investment may be less sensitive to the relevant sustainability risk than its peers.
- Incidents: If the sector or the investment experienced significant incidents regarding the relevant sustainability risk recently, this may inform the understanding of both the frequency of it occurring, as well as the investments readiness and quality of response. Better preparedness and a strong response mean the value of the investment may be less sensitive to the relevant sustainability risk than its peers.

This analysis will provide a low, average or high estimated sensitivity of the value of the investment to material sustainability risks and informs the investment decision making process. A high sensitivity does not automatically disqualify an investment from inclusion in the Fund, but this information will be included in the decision-making process.

Considering the sector focus of the Fund, the following sustainability risks are presumed to be likely material for the investments made by the Fund in the economic sector Biotechnology & Pharmaceuticals as defined by SASB:

- Human rights & community relations
- Access & Affordability
- Product quality & safety
- Customer welfare
- Selling Practices & product Labeling
- Employee engagement, diversity & inclusion
- Supply chain management
- Business ethics

Monitoring of sustainability risks in the Fund

On a monthly basis, the sustainability risk analyses for the investments of the Fund are reviewed and updated if and when applicable. Here, material changes to the individual sustainability risks of an investment are not expected to occur often. The most likely reason for this would be a significant change in the economic activity of the investment causing it to be moved to a different economic sector. A spin-out or acquisition of significant size relative to the market value of the investment could prompt this change. An update of the estimated sensitivity of the value of the investment to a sustainability risk might be triggered by a change in the policies and practices of the investment, or by a significant incident regarding the sustainability risk.

The material sustainability risk exposures and the concentration of high sensitivity investments in the Fund are part of the risk management policy of the Fund Manager and are monitored on a monthly basis.

3. The section entitled “3 Investment Opportunity” is amended by addition of the following after section “4.6 Sustainability” and before “4.7 Risk control”

4.7 Article 8 classification of the Fund for SFDR purposes

Social Characteristics promoted by the Fund

In addition to its financial aim to gain value by investing in publicly traded shares of biopharmaceutical companies and potentially also diagnostics and/or medical device companies, the Fund promotes a social characteristic. The investments of the Fund are responsible for the development, manufacturing and distribution of medicines worldwide. Nearly every person will encounter medicine at some point in their life to heal or prevent them from sickness and discomfort. Medicines improve quality of life and help people continue or go back to their day-to-day activities as much as possible whereas without medicines this would be severely attenuated or even impossible. By focusing its investment on the development of innovative treatments, rare diseases without any known treatment, complex diseases with a high unmet medical need, and championing best practices in the sector through engagement, the Fund aims to promote healthy lives and well-being.

Measurement of the characteristics

By measuring and monitoring the alignment of the portfolio and Fund activities to the focus points above, the Fund provides insight into how its social characteristic is achieved. The Fund reports annually on the following:

1. Percentage of investee companies researching, developing or producing treatment for diseases with a high unmet medical need

Developing treatments for diseases with a high unmet medical need is one of the focus points of the Fund. These types of diseases and conditions, for example Alzheimer, Arthrosis, Diabetes, MS, Obesity, Oncology, Parkinson are characterized by: (inadequacy of) available treatments, severity of impact on the patient and severity of impact on the health care system.

2. Percentage of investee companies researching, developing or producing treatment for rare diseases

A rare disease is any disease that affects a small percentage of the population. Therefore, these types of diseases are often under researched. There are approximately 6,000 rare diseases for which there is currently no treatment at all.

3. Progress on ESG best-practice engagement

The companies the Fund invests in should not only have strong financials, good management and comply with the exclusion criteria below, but they should also continue to improve their Environmental, Social and Governance (ESG) performance wherever possible. The Fund has a long history with investing in- and engaging with biotech companies. Engagement with small-cap companies can be very effective and can have a concrete and direct impact on their policies and practices. This not only benefits the company, but all stakeholders and ultimately society at large.

Sustainable Investment Process

Considering its impact on society, the successful selection of any new investment in the biotechnology sector needs to be a combination of financial and ESG analysis. The Fund’s social characteristics indicate a screening of the investable universe on a combination of unwanted activities, desired activities and the need and potential for engagement from an ESG perspective as outlined below.



Alignment with social characteristics

Environmental and Social Risk screening and engagement

The Fund investigates the processes and policies of any potential investment on common environmental and social risks in the biotechnology sector as defined by the Sustainability Accounting Standards Board (SASB). Which risks are material to the Fund and its investments is outlined in detail in the Fund’s annual report. If an intended investment is found to have a below average preparedness on any of the material environmental and social risks investigated, the Fund may include the investment in its portfolio and start an engagement project provided that: the investment is otherwise aligned with the social characteristics of the Fund and the investment’s management is willing to participate. If, after three years, no significant improvement is achieved from the engagement project, the investment will be exited.

Governance Risk screening and engagement

The intended investment’s preparedness to deal with material governance risks is also investigated. Which governance risks are material to the Fund and its investments is outlined in detail in its annual report. If an intended investment is found to have a low average preparedness on any of the material governance risks investigated, the Fund may include the investment in its portfolio and start an engagement project to improve its preparedness provided that: the investment is otherwise aligned with the social characteristics of the Fund and the investment’s board or management has indicated their willingness to participate in the engagement process. If, after three years, no significant improvement is achieved from the engagement project. The investment will be exited.

4. The section entitled “5.2. Risks” is amended by addition of the following:

Sustainability risk

Sustainability risk in the context of the Fund is defined as the risk of a decrease in the value of an investment of the Fund due to an environmental, social or governance (ESG) related event. Such an event may have a direct negative impact on the financials of the investment or a longer-term impact on the operations or earnings capacity of the investment. The Fund has identified multiple sustainability risks which may impact the value of its investments to a varying degree.

5. The section entitled “20.1 Prospectus” is amended by addition of the following:

The sustainability risk integration disclosure of the Fund Manager and the principal adverse impacts disclosure of the Fund Manager are available on the Website of the Fund Manager.

Amsterdam, March 2021



Privium Fund Management B.V.

Fund Manager