

General Market Overview

PUBLIC MARKETS

Following Q3, the worst quarter in more than 13 years for the biotech sector, major sector indices recovered in the ending quarter to end the year in positive territory and also outperforming broader indices, many of which ended the year in the red. Sector performance in Q4 was, however, somewhat mixed with BioCentury tracking 446 stocks declining and 338 advancing during the quarter, with large caps as the best performing segment.

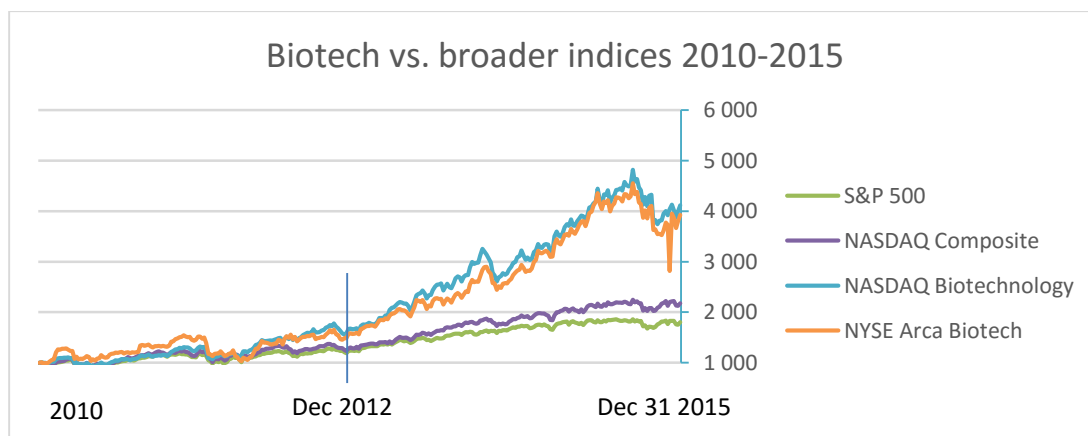
Index		Q4 2015		2015
NYSE Arca Biotech	↑	11%	↑	11%
BC London	↗	2%	↗	8%
NASDAQ	↗	8%	↗	6%
BC 100	↗	8%	↗	5%
S&P 500	↗	6%	→	-1%
Dow Jones 30	↗	7%	↘	-2%
FTSE 100	↗	3%	↘	-5%

The NYSE Arca Biotech recovered from backing 18% in Q3, posting an 11% climb in Q4 to end 2015 in top spot.

Index performance. Source: BioCentury Financial Center

Early 2016, biotech indices have suffered from general market turbulence and investor selloff, pushing the BC 100 index to an 18-month low in mid-January. And while fund managers BioCentury have talked to in general don't think the three-year bull-run is likely to continue in 2016, they are still anticipating some high-profile milestones and foresees more investor emphasis on data than on approvals. Continued aggressive M&A activity is also expected to provide an upside potential in 2016 as large caps come of a period of revenue and market cap growth and are targeting hot indications in orphan diseases and immune-oncology.

Following a period of fairly even performance from 2010 through 2012, the biotech indices have outperformed broader indices over the last three years. From closing prices December 2012, the NASDAQ Biotechnology and the NYSE Arca Biotech have both gained more than 150%, whereas S&P 500 and NASDAQ Composite are up 47% and 71%, respectively.



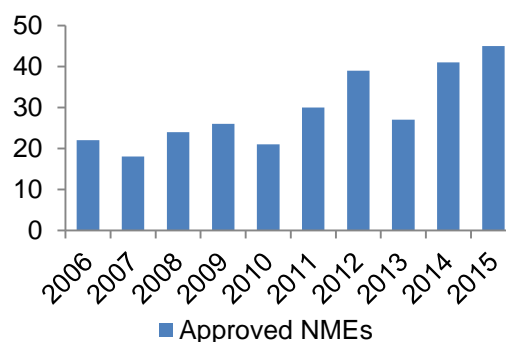
Index performance. Source: BioCentury Financial Center

In 2015, just like in other recent years, the strong performance was supported by highly innovative product launches. A total of 45 New Molecular Entities (NMEs) were approved by the FDA during the year, with 15 of them rated first-in-class, notable for their unique contribution to quality medical care. Also, with a record high of 21 orphan drug approvals, treating rare (orphan) diseases where patients have few or no drugs available attracts ever more investor attention.

The 41 NME approvals of last year was already the highest seen since 1996, only to be surpassed in 2015 with an annual total of 45 approvals.

Drugs developed and marketed by biotech companies reach significant sales too, with at least 32 drugs expected to have more than USD 1 billion in 2015 sales. Antivirals from **Gilead Sciences** account for seven of those, including Hepatitis C drug Harvoni that is expected to reach 2015 sales of more than USD 14 billion, following its launch in late 2014.

Number of approved novel drugs by FDA

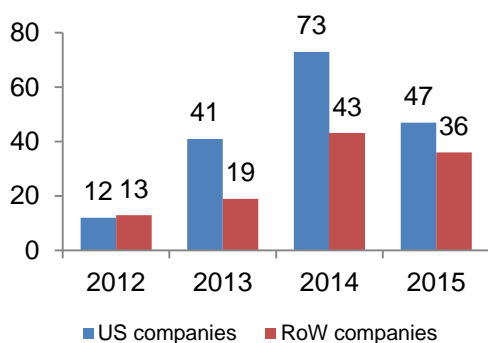


Approved NMEs and Biotech sales. Source: FDA and BioCentury

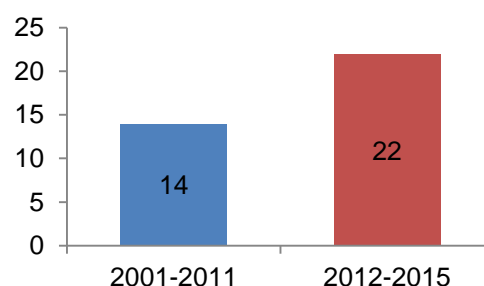
PUBLIC FINANCINGS

Benefiting from strong public market performance, globally, close to 300 companies have completed their IPOs since 2012 in what has become the most extensive IPO window in the history of biotech. An additional 19 companies listed in the last quarter of 2015, but only two in December. And while some notable follow-on financings were completed in January of 2016, no IPOs were made, marking an end, or at least a temporary closure, of the window.

Number of Biotech IPOs



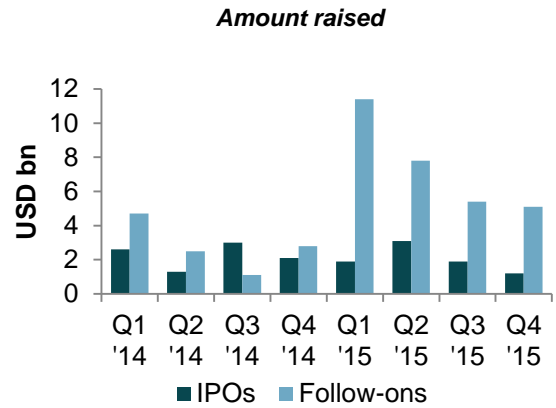
Raised in IPOs (USD bn)



IPO financings. Source: BioCentury Financial Center.

With the additional USD 8 billion raised in IPOs in 2015, the total amount raised in the current IPO window has now surpassed the prior decade.

Follow-on financings in Q4 remained at about the same level as the quarter before, bringing the follow-on financing sum for 2015 to a new high of USD 29.7 billion.



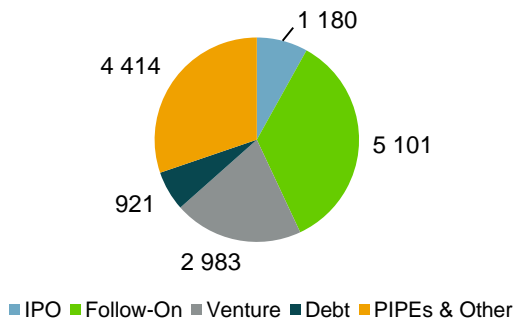
IPO and follow-on financings. Source: BioCentury Financial Center.

Three HealthCap portfolio companies completed their IPOs in 2015. In Q1, HealthCap IV company **Cerenis Therapeutics** listed on Euronext Paris and HealthCap VI company **Nordic Nanovector** listed on OMX Oslo. In the ending quarter, HealthCap VI portfolio company **Strongbridge Biopharma**, completed its IPO on NASDAQ raising USD 25 million for a post-money valuation of USD 212 million.

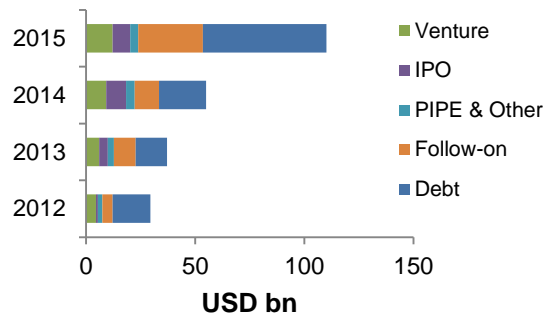
OTHER FINANCINGS

The biotech industry raised a total of USD 15 billion in Q4 of 2015, some USD 20 billion less than in Q3, but bringing the year total to USD 110 billion, twice the amount raised in 2014.

Total Biotech Financings Q4 2015 (USD millions)



Amount raised 2012-2015



Biotech financings. Source: BioCentury Financial Center.

In Q4, public follow-on financings was the leading group reaching USD 5.1 billion in total. The “PIPEs & Other” category was dominated by the concurrent offerings of American Depositary Rights and convertible preferred shares issued by **Teva Pharmaceutical Industries** in connection to its acquisition of **Actavis Generics**.

In Q4, HealthCap V company **Nexstim** raised EUR 5.3 million in a PIPE. Nexstim’s shares are listed on the Nasdaq First North Finland and Nasdaq First North Sweden. Also, HealthCap VI company **Wilson Therapeutics** closed the first tranche of SEK 40 million in its SEK 80 million Series B financing.