

## General Market Overview

### PUBLIC MARKETS

Stock markets showed higher volatility the last few weeks of Q3, and major sector indices fell for the month of September, the first month posting losses since March. In general, life science indices traded more of less sideways during the quarter, but are still ahead of most broader indices for the year, with the exception of the tech-heavy Nasdaq Composite index, adding 11% in Q3 and up 24% for the year, through Q3.

Life science companies are still considered a safe equity class ahead of the expected volatility around the US presidential elections and although late stage Covid-19 vaccine candidates are priced in into many valuations, analysts still believe pending late-stage readouts will be major catalysts throughout the fourth and first quarters, BioCentury concludes.

Index	Q3 2020	YTD
NASDAQ	↑ 11%	↑ 24%
BC 100	↔ 2%	↑ 16%
NASDAQ Biotech	→ -1%	↑ 12%
NYSE Arca Biotech	↓ -6%	↔ 6%
S&P 500	↔ 8%	↔ 4%

Biotech traded mostly flat in Q3 as some investors chose to bring home the gains from the bottom in March.

Index performance. Source: BioCentury Financial Center

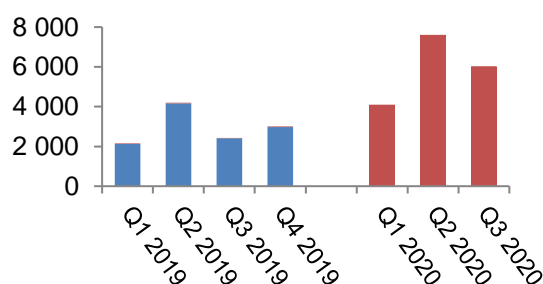
Public HealthCap portfolio companies posted a mixed performance in Q3 with the highlights being Swedish companies Bonesupport, adding 51%, and Vicore Pharma, climbing 35%, the latter backed by the news that its Covid-19 clinical trial was fully enrolled.

### FINANCINGS

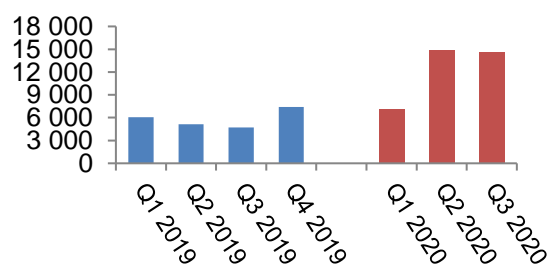
Normally, IPO activity tends to slow down in the second half of US elections years, but not this time. Eleven IPOs were completed in September alone and the first nine months of 2020 have already been registered as a record year with 87 deals raising an aggregate of USD 18 billion. With three months to go both life science IPOs and follow-ons have set all-time records and valuations have grown significantly over the last few years. More than 20 completed IPOs in 2020 have been closed with post-money valuations exceeding USD 1 billion.

In Q3, USD 6 billion was raised in IPO financings and USD 14.6 billion in follow-ons, bringing the year of 2020 already up to record levels for both financing categories.

Raised in IPOs (USDm)

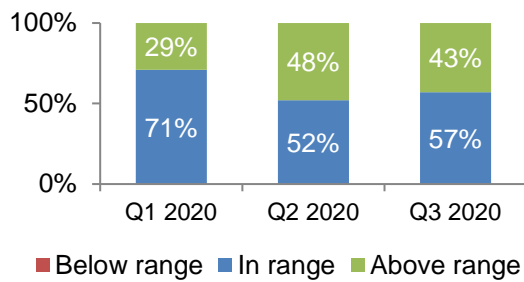


Raised in Follow-ons (USDm)



Biotech Financings by quarter. Source: BioCentury Financial Center

### IPO Pricing vs Range



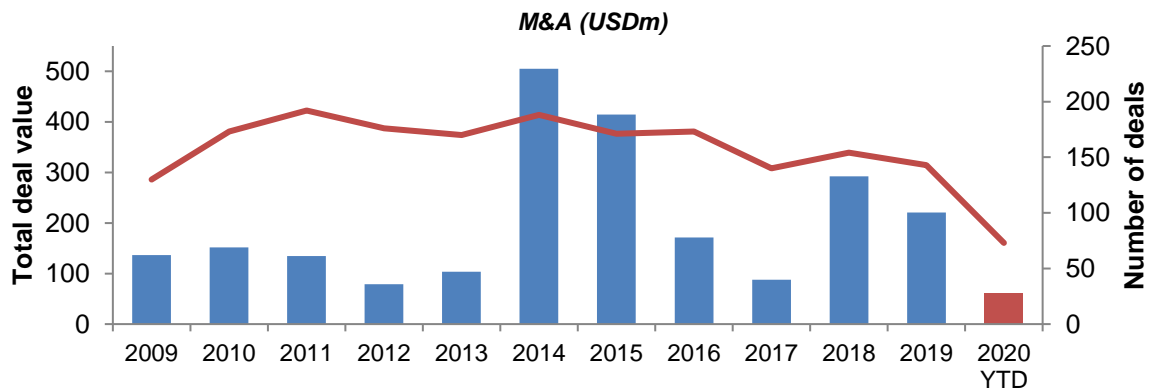
Companies going public have succeeded to price in or above its range throughout the year.

Pricing of Healthcare IPOs in 2020. Source: Brookline Capital Markets

In the HealthCap portfolio, **Pulmonx Corporation** completed their IPO on NASDAQ in the third quarter. Pulmonx closed its upsized USD 190 million IPO, above its indicated price range, on the last day of the quarter and in October the company announced full exercise of the underwriters' option to buy additional shares, bringing the total size up to USD 218.5 million. The share price more than doubled in its first day of trading.

### M&A

Several of the largest M&A deals announced in 2020 were announced in the third quarter, with the largest being **Gilead's** acquisition of **Immunomedics Inc.** for USD 21 billion in cash and debt, announced in mid-September. Gilead's offer represented a 108% premium to the latest closing price, giving the company access to FDA approved drug Trodelvy for treatment of metastatic triple-negative breast cancer. In general, however, M&A levels are still low for the year.



Completed M&A transactions. Source: BioCentury Financial Center