

## General Market Overview

### PUBLIC MARKETS

The general markets turned down during the first quarter of 2022, with the S&P 500 recording its worst January since 2009 and officially hitting correction territory (a 10%+ decline) in February. High inflation and the Russian invasion of Ukraine contributed to an increased uncertainty in global markets.

Biotech stocks kept underperforming during the quarter, bringing all sector indices negative for the year across all market cap tiers. However, in the final two months of Q1 2022, biotech indexes performed in line with the general markets. While all market cap tiers struggled over the quarter, large-cap biopharma companies performed relatively stronger than small cap, indicating that capital may be coming into the largest companies first.

Notably, 45% of biotech companies still have more than 2 years of cash reserves, indicating that conditions could be right to spark a recovery at a positive turn in clinical or regulatory events, or increased M&A activities.

Index	Q1 2022		YTD	
S&P 500	👇	-5%	👇	-5%
NYSE Arca Biotech	👇	-8%	👇	-8%
NASDAQ	👇	-9%	👇	-9%
NASDAQ Biotech	👇	-12%	👇	-12%
BC 100	👇	-12%	👇	-12%

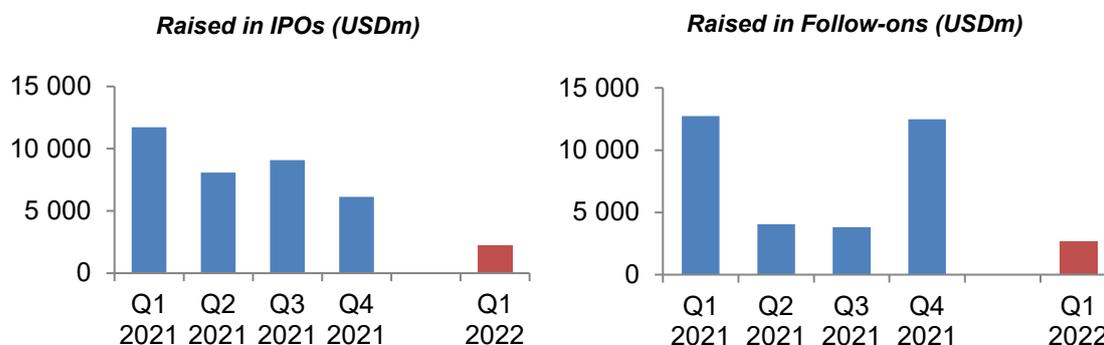
The relative underperformance of biotech stocks continued in Q1 2022.

Index performance. Source: BioCentury Financial Center

HealthCap public portfolio companies **Fusion** (NASDAQ:FUSN) and **Vicore** (STO:VICO) performed well despite the negative market trends, with share prices increasing with 86% and 63% respectively during the quarter following **Fusion's** announcement to advance its first targeted alpha therapy in the collaboration with **AstraZeneca** and **Vicore's** interim phase II data showing an unprecedented improvement of lung function in IPF patients.

### FINANCINGS AND DEALS

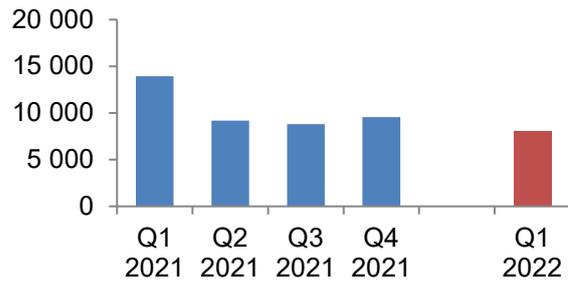
IPOs were down to 22 financings for Q1 2022, compared to record high 58 in Q1 2021. Follow-on financings similarly decreased after the peak in Q4 2021. In the HealthCap portfolio, **Oncorena** finalized a Series A financing round of up to and **Nordic Nanovector** (OSE:NANO) raised EUR 25m in a PIPE.



Biotech IPO and Follow-on financings, by quarter. Source: BioCentury Financial Center

IPO financings sharply decreased in Q1 and were 81% lower than the corresponding quarter in 2021.

### Raised in Venture financings (USDm)



Venture financing levels remained stable in Q1, continuing in line with the later quarters of 2021.

*Biotech venture financings, by quarter. Source: BioCentury Financial Center*

### M&A ACTIVITIES

M&A activity was also low during the quarter with only one deal over USD 1B (**UCB-Zogenix Inc.**, USD 1.9B). No large deals were announced after January 19, creating the longest drought in large M&A deals since 2018.