

Media Release

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HBM Healthcare Investments Quarterly Report June 2019

HBM Healthcare Investments had a successful start to the new 2019/2020 financial year, with net asset value (NAV) per share rising by 5.7 percent to CHF 200.29 during the first quarter. The share price increased by 8.9 percent to CHF 183.80 during the same period. Overall, the quarter under review generated a profit of CHF 75 million as at 30 June 2019.

This positive result was driven by two events, in particular. The fair value of our holding in privately owned Chinese company Cathay Industrial Biotech rose by CHF 57.5 million during the quarter under review owing to a secondary market transaction at a significantly higher valuation. HBM Healthcare Investments participated in this transaction, increasing its investment in the company by CHF 10 million. With a fairvalue of CHF 192.6 million, Cathay is by far the largest holding in the portfolio.

In addition, in view of a potential IPO, HBM Healthcare Investments accepted the exchange of its holding in Cathay Industrial Biotech, based in the Cayman Islands, for a direct stake in its China-based parent company Shanghai Cathay Biotechnology R&D Center Co. This share swap means that the holding will now be reported in Renminbi instead of US dollars.

Turning Point Therapeutics, which focuses on targeted treatments for cancer, went successfully public in April 2019. This generated a book profit of CHF 27.9 million for HBM Healthcare Investments during the quarter under review. The company issued 10.6 million new shares at a price of USD 18 each at its IPO, thereby raising USD 191.5 million in new capital. By the end of June, the company's share price had risen to over USD 40. HBM Healthcare Investments took an initial USD 10 million stake in Turning Point in October 2018, and increased its holding by a further USD 4.5 million as part of the IPO.

Two new investments in private companies

HBM Healthcare Investments made two new investments in private companies during the quarter just ended. USD 20 million has been invested in US company Viela Bio, which specialises in the treatment of severe inflammatory and autoimmune diseases.

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Its lead product candidate is inebilizumab, which is an antibody to treat neuromyelitis optica spectrum disorder. It has successfully completed phase III clinical trials, and an application for approval will be submitted to the US FDA in the near future. Neuromyelitis optica spectrum disorder is an inflammation of the central nervous system that can have severe, lasting consequences. It typically affects the optic nerve and the spinal cord.

US company Arrakis Therapeutics, based in Waltham near Boston, received an investment commitment of USD 7 million. The first tranche of USD 1.4 million has now been paid in. Arrakis uses a proprietary platform for the identification and development of a new class of small-molecule compounds which do not bind to proteins, but directly to ribonucleic acids (RNAs) to change their biological function and thereby treat diseases.

Outlook

Cathay's new investment currency increases the portfolio's foreign exchange diversification, with the proportion in Renminbi now standing at 12 percent. The US dollar allocation thus falls from 76 percent to 64 percent.

The HBM Healthcare Investments portfolio continues to exhibit a balanced composition in terms not only of the respective shares of private and public companies, but also its geographical focus. Many of the major portfolio companies are performing very well operationally, with key events such as approval decisions and clinical study data due in the near future as expected. These should have a positive effect on net asset value overall. HBM Healthcare Investments is also expecting the publication of trial results from a number of our smaller portfolio companies, some of which are subject to somewhat elevated risk. If positive, the Company is likely to increase its holdings in these companies further if an appropriate opportunity presents itself.

HBM Healthcare Investments expects further private portfolio companies to go public or to release added value following financing rounds or strategic transactions over the coming year and a half and we are encouraged by the fundamental development of many listed portfolio companies. With regard to the general market development nothing has changed fundamentally in recent months; HBM Healthcare Investments continues to closely monitor global economic and monetary policy developments with regard to a potential increase in market volatility. The partial market hedging remains at a lower level.

The Quarterly Report June 2019 is available on the Company's website <https://www.hbmhealthcare.com/en/investors/financial-reports>

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About HBM Healthcare Investments

HBM Healthcare Investments invests in the healthcare sector. The Company holds and manages an international portfolio of promising companies in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. Many of these companies have their lead products already available on the market or at an advanced stage of development. The portfolio companies are closely tracked and actively guided in their strategic direction. This is what makes HBM Healthcare Investments an interesting alternative to investments in big pharma and biotechnology companies. HBM Healthcare Investments has an international shareholder base and is listed on SIX Swiss Exchange (ticker: HBMN).

Disclaimer

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