

Media Release

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HBM Healthcare Investments Quarterly Report June 2020

HBM Healthcare Investments looks back on a successful first quarter of the 2020/2021 financial year. The significant market recovery, positive corporate news and two acquisitions resulted in a net profit of CHF 226 million for the first three months up to the end of June 2020, three times the amount achieved in the same period of the previous year. Net asset value (NAV) increased by 15.6 percent to CHF 240.72 during this period; the share price (HBMN) increased by 30.0 percent to CHF 247.00.

In the first quarter of the new financial year, HBM Healthcare Investments benefited from a rise in the share price of public companies as well as from two acquisitions of companies from the private portfolio. Of the total portfolio profit of CHF 268 million, CHF 23 million was attributable to private companies, CHF -10 million to funds, CHF 247 million to public companies and market hedging, and CHF 1 million to other assets. The negative currency developments were partially compensated by a profit contribution of CHF 7 million from currency hedging.

Two acquisitions in the portfolio of private companies

With Corvidia Therapeutics and Vitaeris, two companies from the private portfolio were acquired in June, both developing an anti-interleukin-6 monoclonal antibody (anti IL-6 mAb). Corvidia is developing Ziltivekimab for the treatment of cardiovascular diseases in patients with chronic kidney disease; Vitaeris is testing Clazakizumab for the treatment of antibody-mediated rejection in kidney transplants.

Corvidia, based in Waltham, MA, USA, agreed to be acquired by Novo Nordisk. Novo Nordisk will pay USD 725 million upfront and committed to milestone payments of up to USD 1.4 billion. The transaction is expected to close in July. As for the Canadian Vitaeris, CSL Behring exercised its share purchase right received under a strategic partnership in 2017. Again, shareholders are entitled to upfront and milestone payments.

The overall upfront payments totalling CHF 25 million correspond to approximately 3.5 times the invested capital. The payments due upon achievement of regulatory and

commercial milestones are in the books with the probability-weighted and discounted value of CHF 10 million, which brings the two acquisitions' net income contribution for the quarter to CHF 27 million.

Public companies benefited from market recovery and positive news

The portfolio of public companies recovered from the market correction in February and March 2020 and increased by a total of CHF 266 million. The increase was held back by the partial market hedging, which was re-initiated in April and May, and impacted the quarterly result by CHF 19 million.

Some of the public companies also benefited from market approvals and positive study results. Immunomedics was granted approval by the US Food and Drug Administration (FDA) for Trodelvy™ for the treatment of metastatic triple-negative breast cancer, while Viela Bio received approval from the FDA for Uplizna™ (neuromyelitis-optica spectrum disease), and Zogenix for Fintepla® (Dravet syndrome).

Argenx published positive data from the pivotal phase III study for the antibody Efgartigimod for the treatment of patients with myasthenia gravis, a chronic neuromuscular disease characterized by weakness and rapid fatigue of the skeletal muscle. Biohaven published positive phase III data from an additional study on migraine prevention for Nurtec™. The drug has been approved in the United States for the treatment of acute migraine in adult patients since the end of February already.

For Y-mAbs Therapeutics, the FDA accepted the submitted priority review application for Danyelza™ (Naxitamab) for the treatment of neuroblastoma. The approval decision is expected by the end of November 2020.

New investments

In the quarter under review, HBM Healthcare invested CHF 24 million in private companies. Of this, CHF 13 million went to existing private companies as follow-on financing. New investments of CHF 11 million have been made in the following three US companies:

- > Instil Bio obtained USD 5 million. The company develops cell therapies based on tumour-infiltrating lymphocytes (TIL). The most advanced program for the treatment of metastatic melanoma is about to start pivotal trial.
- > C4 Therapeutics received USD 4 million. C4 explores novel therapies based on the targeted elimination of disease-causing proteins. The aim is to treat cancer, neurological disorders and other diseases.

> Seer Biosciences secured USD 2.8 million. The HBM Genomics Fund has been invested in the company since 2017. Seer's technology enables information on the proteome – the totality of all proteins in an organism at a given point in time – with high accuracy and at an unprecedented level of detail and speed. This should enable research breakthroughs in serious medical problems, such as the early detection of diseases.

In addition, HBM Healthcare, as a core investor, made a commitment of SEK 80 million (around CHF 8 million) in the capital increase of BioInvent International, which is listed on the Stockholm Stock Exchange. The capital increase was completed in early July. BioInvent develops novel immune-modulating antibodies for the treatment of hematological cancer and solid tumours.

Outlook

Following the strong performance of the stock markets in recent weeks, HBM Healthcare Investments remains cautiously positioned with regard to the general market environment. Therefore, about one-sixth of the market risk posed by public companies continues to be hedged. In addition, around 60 percent of the USD currency risk against the Swiss franc were hedged at the end of June. The portfolio is thus well-balanced in terms of asset classes and currencies.

With regard to portfolio companies, the Company remains confident and expects a positive and eventful second half of 2020. ALX Oncology completed its initial public offering in mid-July and iTeos Therapeutics filed for an IPO on the Nasdaq. The Chinese Cathay Biotech is preparing an initial public offering on the STAR Market of the Shanghai Stock Exchange. In addition, added value from the portfolio of private companies through acquisitions, financing rounds and divestments of shareholdings is expected.

Alongside the expected market approval of Y-mAbs Therapeutics mentioned above, there are important results of ongoing clinical studies on the agenda for various other public companies, which could likewise have a positive impact on the net asset value.

The Quarterly Report June 2020 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).

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