

Investment Guidelines



The Investment Guidelines determine the investment activities of HBM Healthcare Investments Ltd and its subsidiaries (HBM Healthcare Investments). In particular, they set out the overall investment strategy, the tolerance of risk and the general risk management philosophy.

1. Investment objective

HBM Healthcare Investments' objective is to generate long-term capital gains with investments in private and public companies in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas.

2. Investment strategy

Within its target sector, HBM Healthcare Investments invests predominantly in later-stage private companies which are attractively valued and have a convincing business model, including their product pipeline, technology and management:

> The initial investment is typically made in the later stages of clinical development, and where profitable or cash flow-neutral companies require financing for their expansion. There must be an attractive ratio between value-creation potential and the risk of the investment. HBM Healthcare Investments must also be able to influence the portfolio company, particularly with regard to its exit from the investment.

- > HBM Healthcare Investments may acquire majority participations in portfolio companies.
- > The amount of the investment may be increased in follow-on financing rounds provided the value-creation potential remains intact.
- > HBM Healthcare Investments has the flexibility to increase its investment further at the time of or after the portfolio company's IPO.

Geographical focus

Investments are made worldwide – primarily in Europe, Asia and North America.

Availability of funds

HBM Healthcare Investments maintains adequate short-term funds to ensure that it is able to satisfy all of its commitments, including follow-on financing for portfolio companies. Cash and cash equivalents are held with a variety of top-rated banks.

Debt financing

With the approval of the Board of Directors, HBM Healthcare Investments Ltd may obtain debt financing totalling no more than 20 percent of net assets at any time. Where possible, the repayment dates for this borrowed capital will be staggered over time.

Hedging

HBM Healthcare Investments may hedge all or part of its investment risks using derivatives or other appropriate financial instruments. Such transactions must be aimed at reducing overall portfolio risk.

Investment instruments

HBM Healthcare Investments' investments are made primarily in equities. HBM Healthcare Investments may also invest in other instruments including, but not limited to, convertible bonds and, exceptionally, debt securities and derivatives.

3. Investment categories

HBM Healthcare Investments continually optimises the composition of its portfolio in line with its sector focus and prevailing market circumstances. HBM Healthcare Investments holds a diversified portfolio of high-quality companies with considerable potential. Without the consent of the Board of Directors of HBM Healthcare Investments Ltd, the acquisition cost of any single investment may not exceed 10 percent of net assets.

Private companies

The majority of the capital that is realised and available from the portfolio flows through an investment cycle into direct participations in private companies with a convincing business model. HBM Healthcare Investments may acquire majority holdings in portfolio companies, and guides and supports them.

Public companies

HBM Healthcare Investments may increase its investment in a portfolio company at the time of or after the latter's IPO. HBM Healthcare Investments may also make investments in public companies. Increases in the value of existing holdings – following private portfolio company IPOs, for example – may result in a significant proportion of net assets being held in public companies.

Financial instruments (not related to hedging)

HBM Healthcare Investments may hold "long" positions in options, and "short" positions in put options. Based on the principal amount, these position may cumulated amount to up to 20 percent of the net assets of HBM Healthcare Investments. Selling of uncovered call options is not allowed. Holdings in sold call options which are covered by the corresponding portfolio holdings may be entered into additionally.

4. Investment decisions

Investment and disposal decisions in relation to individual companies are taken by the Board of Directors of the investing HBM Healthcare Investments entity, HBM Healthcare Investments (Cayman) Ltd, based on the recommendations of the investment advisor, HBM Partners Ltd. Within the scope of HBM Healthcare Investments' ordinary business activities, the Board of Directors of HBM Healthcare Investments Ltd does not make any company-specific investment or disposal decisions.

5. Application of and changes to the Investment Guidelines

The original Investment Guidelines were adopted by the Board of Directors of HBM Healthcare Investments Ltd on 6 December 2001, revised on 14 May 2004, on 7 July 2006, on 25 June 2010, on 12 May 2014 and passed in their present form on 11 February 2015. These Investment Guidelines define and regulate the investment activities of HBM Healthcare Investments Ltd and its subsidiaries (HBM Healthcare Investments). The Investment Guidelines may be amended within the limits of the Articles of Association of HBM Healthcare Investments Ltd by its Board of Directors at any time.